

KUBOTA CORP  
Form 20-F  
June 29, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 20-F**

.. **REGISTRATION STATEMENT PURSUANT TO SECTION 12(B) OR 12(G) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended March 31, 2012

OR

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from            to

OR

..

**SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

Date of event requiring this shell company report \_\_\_\_\_

Commission file number 1-07294

**KABUSHIKI KAISHA KUBOTA**

(Exact name of registrant as specified in its charter)

**KUBOTA CORPORATION**

(Translation of registrant's name into English)

**JAPAN**

(Jurisdiction of incorporation or organization)

**2-47, Shikitsuhigashi 1-Chome, Naniwa-Ku, Osaka, JAPAN**

(Address of principal executive offices)

**Shinya Yamamoto, +81-6-6648-2623, +81-6-6648-2632, 2-47, Shikitsuhigashi 1-Chome, Naniwa-Ku, Osaka, JAPAN**

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act

|                                                            |                                                                                                       |
|------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|
| <p><b>Title of each class</b><br/><b>Common Stock*</b></p> | <p><b>Name of each exchange</b><br/><b>on which registered</b><br/><b>New York Stock Exchange</b></p> |
|------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|

\* Not for trading, but only in connection with the listing of American Depositary Receipts pursuant to the requirement of the New York Stock Exchange.  
 American Depositary Receipts evidence American Depositary Shares, each American Depositary Share representing five shares of the registrant's common stock.

**Securities registered or to be registered pursuant to Section 12(g) of the Act**

None

(Title of Class)

**Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.**

None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

| Title of Class             | Outstanding as of              |                                   |
|----------------------------|--------------------------------|-----------------------------------|
|                            | March 31, 2012<br>(Tokyo Time) | March 31, 2012<br>(New York Time) |
| Common stock               | 1,255,983,672 shares           |                                   |
| American Depositary Shares |                                | 6,351,728 ADS                     |

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

If this report is an annual or transition report, indicate by checkmark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

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Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP .

International Financial Reporting Standards as issued by the International Accounting Standards Board .

Other .

If  Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17  Item 18

If it is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

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All information contained in this annual report is as of or for the 12 months ended March 31, 2012 ( fiscal 2012 ) unless otherwise specified.

As used in this annual report herein, Kubota and the Company refer to Kubota Corporation and its subsidiaries unless the context otherwise indicates.

The noon buying rate for cable transfers in yen in New York City as certified for customs purposes by the Federal Reserve Bank of New York on June 22, 2012 was ¥80.52 = US\$1.

As used in this annual report, U.S. dollar or \$ means the lawful currency of the United States of America, Canadian dollar or Can\$ means the lawful currency of Canada and yen or ¥ means the lawful currency of Japan.

## &lt;Cautionary Statement with Respect to Forward-Looking Statements&gt;

Certain sections of this annual report on Form 20-F contain forward-looking statements that are based on management's expectations, estimates, projections and assumptions. Words such as expects, anticipates, believes, scheduled, estimates, variations of these words and similar expressions are intended to identify forward-looking statements which include but are not limited to projections of revenues, earnings, segment performance, cash flows and so forth. 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, the occurrence of natural disasters, continued competitive pricing pressures in the marketplace, as well as the Company's ability to continue to gain acceptance of its products.

**Table of Contents****PART I****Item 1. Identity of Directors, Senior Management and Advisers**

Not applicable.

**Item 2. Offer Statistics and Expected Timetable**

Not applicable.

**Item 3. Key Information****A. Selected Financial Data**

|                                                                                              | Years ended March 31                                                        |             |             |             |             |
|----------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|-------------|-------------|-------------|-------------|
|                                                                                              | (Millions of Yen except number of shares outstanding and per share amounts) |             |             |             |             |
|                                                                                              | 2012                                                                        | 2011        | 2010        | 2009        | 2008        |
| <b>For the year:</b>                                                                         |                                                                             |             |             |             |             |
| Revenues                                                                                     | ¥ 1,008,019                                                                 | ¥ 933,685   | ¥ 930,644   | ¥ 1,107,482 | ¥ 1,154,574 |
| Ratio to previous year                                                                       | 108.0%                                                                      | 100.3%      | 84.0%       | 95.9%       | 102.4%      |
| Cost of revenues                                                                             | 735,836                                                                     | 678,653     | 681,374     | 810,226     | 824,093     |
| Selling, general, and administrative expenses                                                | 170,252                                                                     | 165,407     | 179,352     | 193,426     | 192,935     |
| Other operating expenses (income)                                                            | (3,749)                                                                     | 3,514       | 216         | 1,015       | 671         |
| Operating income                                                                             | 105,680                                                                     | 86,111      | 69,702      | 102,815     | 136,875     |
| Income from continuing operations                                                            | 66,019                                                                      | 61,108      | 47,908      | 54,735      | 74,627      |
| Income from discontinued operations, net of taxes                                            |                                                                             |             |             |             | 189         |
| Net income                                                                                   | 66,019                                                                      | 61,108      | 47,908      | 54,735      | 74,816      |
| Net income attributable to Kubota Corporation:                                               | 61,552                                                                      | 54,822      | 42,326      | 48,064      | 68,026      |
| Ratio to previous year                                                                       | 112.3%                                                                      | 129.5%      | 88.1%       | 70.7%       | 89.0%       |
| Ratio to revenues                                                                            | 6.1%                                                                        | 5.9%        | 4.5%        | 4.3%        | 5.9%        |
| <b>At year-end:</b>                                                                          |                                                                             |             |             |             |             |
| Total assets                                                                                 | ¥ 1,487,669                                                                 | ¥ 1,356,852 | ¥ 1,409,033 | ¥ 1,385,824 | ¥ 1,464,270 |
| Working capital                                                                              | 330,029                                                                     | 342,076     | 380,590     | 321,971     | 303,177     |
| Long-term debt                                                                               | 184,402                                                                     | 191,760     | 243,333     | 208,588     | 183,945     |
| Net assets                                                                                   | 707,214                                                                     | 681,361     | 671,619     | 616,243     | 691,327     |
| Total Kubota Corporation shareholders' equity                                                | 653,283                                                                     | 634,885     | 626,397     | 578,284     | 648,097     |
| Common stock                                                                                 | 84,070                                                                      | 84,070      | 84,070      | 84,070      | 84,070      |
| Number of shares outstanding in thousands                                                    | 1,255,984                                                                   | 1,271,713   | 1,271,847   | 1,272,063   | 1,280,604   |
| <b>Per common share and per five common shares data<sup>(1)(2)</sup>:</b>                    |                                                                             |             |             |             |             |
| Income from continuing operations attributable to Kubota Corporation per common share:       |                                                                             |             |             |             |             |
| Basic                                                                                        | ¥ 48.75                                                                     | ¥ 43.11     | ¥ 33.28     | ¥ 37.68     | ¥ 52.65     |
| Income from continuing operations attributable to Kubota Corporation per five common shares: |                                                                             |             |             |             |             |
| Basic                                                                                        | ¥ 243.76                                                                    | ¥ 215.53    | ¥ 166.38    | ¥ 188.40    | ¥ 263.27    |
| Net income attributable to Kubota Corporation per common share:                              |                                                                             |             |             |             |             |
| Basic                                                                                        | ¥ 48.75                                                                     | ¥ 43.11     | ¥ 33.28     | ¥ 37.68     | ¥ 52.80     |
| Net income attributable to Kubota Corporation per five common shares:                        |                                                                             |             |             |             |             |
| Basic                                                                                        | ¥ 243.76                                                                    | ¥ 215.53    | ¥ 166.38    | ¥ 188.40    | ¥ 264.01    |
| Kubota Corporation shareholders' equity per common share outstanding                         | ¥ 520.14                                                                    | ¥ 499.24    | ¥ 492.51    | ¥ 454.60    | ¥ 506.09    |



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|                                                                           |            |            |            |            |            |
|---------------------------------------------------------------------------|------------|------------|------------|------------|------------|
| Kubota Corporation shareholders equity per five common shares outstanding | ¥ 2,600.68 | ¥ 2,496.18 | ¥ 2,462.55 | ¥ 2,273.02 | ¥ 2,530.44 |
| <b>Others:</b>                                                            |            |            |            |            |            |
| Capital investments <sup>(3)</sup>                                        | ¥ 31,112   | ¥ 23,951   | ¥ 26,038   | ¥ 33,337   | ¥ 35,163   |
| Depreciation and amortization                                             | 23,908     | 26,993     | 29,171     | 31,242     | 30,565     |
| R & D expenses                                                            | 27,856     | 25,042     | 25,241     | 26,290     | 24,784     |

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|                                                             | Years ended March 31 |       |        |        |        |       |
|-------------------------------------------------------------|----------------------|-------|--------|--------|--------|-------|
|                                                             | 2012                 | 2011  | 2010   | 2009   | 2008   |       |
| Cash dividends declared per common share:                   |                      |       |        |        |        |       |
| Interim (in yen)                                            | 7                    | 7     | 7      | 7      | 6      |       |
| (in U.S. dollars) <sup>(4)</sup>                            | 0.090                | 0.083 | 0.080  | 0.075  | 0.054  |       |
| Year-end (in yen)                                           | 8                    | 7     | 5      | 7      | 8      |       |
| (in U.S. dollars) <sup>(4)</sup>                            | 0.100                | 0.086 | 0.055  | 0.073  | 0.074  |       |
| Cash dividends declared per five common shares:             |                      |       |        |        |        |       |
| Interim (in yen)                                            | 35                   | 35    | 35     | 35     | 30     |       |
| (in U.S. dollars) <sup>(4)</sup>                            | 0.449                | 0.415 | 0.400  | 0.377  | 0.270  |       |
| Year-end (in yen)                                           | 40                   | 35    | 25     | 35     | 40     |       |
| (in U.S. dollars) <sup>(4)</sup>                            | 0.502                | 0.432 | 0.274  | 0.365  | 0.370  |       |
|                                                             | Years ended March 31 |       |        |        |        |       |
|                                                             | 2012                 | 2011  | 2010   | 2009   | 2008   |       |
| Exchange rates (yen amounts per U.S. dollar) <sup>(5)</sup> |                      |       |        |        |        |       |
| Year-end                                                    | 82.41                | 82.76 | 93.40  | 99.15  | 99.85  |       |
| Average                                                     | 78.86                | 85.00 | 92.49  | 96.86  | 113.61 |       |
| High                                                        | 85.26                | 94.68 | 100.71 | 111.02 | 124.09 |       |
| Low                                                         | 75.72                | 78.74 | 86.12  | 87.80  | 96.88  |       |
|                                                             | 2012                 | 2012  | 2012   | 2012   | 2012   | 2011  |
|                                                             | May.                 | Apr.  | Mar.   | Feb.   | Jan.   | Dec.  |
| High                                                        | 80.36                | 82.62 | 83.78  | 81.10  | 78.13  | 78.13 |
| Low                                                         | 78.29                | 79.81 | 80.86  | 76.11  | 76.28  | 76.98 |
| Period-end                                                  | 78.29                | 79.81 | 82.41  | 81.10  | 76.28  | 76.98 |

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### Notes to Selected Financial Data:

1. Per share amounts have been calculated per common share and per five common shares since each American Depository Share ( ADS ) represents five shares of common stock.
2. There were no potentially dilutive shares outstanding for all periods presented.
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 represents payments for those assets on a cash basis.
4. Cash dividends in U.S. dollars are computed based on the exchange rates at each respective payment date.
5. Exchange rates are the noon buying rates for cable transfers between the yen and the U.S. dollar in New York City as certified for customs purposes by the Federal Reserve Bank of New York. The rate on June 22, 2012 was ¥80.52= US\$1.

### B. Capitalization and Indebtedness

Not applicable.

### C. Reasons for the Offer and Use of Proceeds

Not applicable.

### D. Risk Factors

Declines in economic conditions in the Company's major markets, including private-sector capital expenditures, 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, the Company may see reduced demand resulting from declines in general economic conditions, including private-sector capital expenditures, construction investment, and domestic public investment. In addition, the agricultural policies by the national government 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 in foreign currency exchange rates, including a stronger yen, may adversely affect the Company's results of operations.

The Company has overseas revenues and foreign subsidiaries which significantly contribute to the Company's results of operations. Since the transactions between the parent company and foreign subsidiaries or customers are generally denominated in the local currencies and also the foreign subsidiaries' financial results of operations which are prepared in the local currencies are consolidated into the Company's consolidated results of operations after translation into Japanese yen, fluctuations in foreign currency exchange rates, in particular a stronger yen against other currencies, may adversely affect the Company's results of operations. In order to minimize adverse effects from fluctuations in foreign currency exchange rates, the Company has been transferring its production bases to those countries and regions where its products are actually sold. Also, the Company enters into foreign exchange forward contracts, foreign currency option contracts, cross-currency swap contracts, and cross-currency interest rate swap contracts to mitigate its exposure to these risks. Despite the Company's efforts, fluctuations in foreign currency exchange rates may adversely affect the Company's consolidated financial results.

If the prices of raw materials increase or 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 impair 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.



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### **The risks associated with international operations may adversely affect the 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 the 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 an individual country's tax regulations;

Unexpected legal or regulatory changes in a country;

Unexpected results of transfer pricing issues or negotiation for Advanced Pricing Agreement;

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 North America, Europe, and Asian countries, which are important markets for the Company, the above mentioned risks seem to be higher in Asian countries than in other regions.

### **If strategic alliances, mergers, and acquisitions do not generate successful results as planned, then the Company's profitability may deteriorate.**

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 abilities 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.

### **Stock market fluctuations may have a material adverse effect on the Company's results of operations and financial position.**

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 and financial position.

### **The Company is subject to intensifying competitive pressures. Unless the Company performs better than other companies in each of its businesses, revenues and /or net income may decrease in the future.**

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

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

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 adverse effect on the Company's results of operations and 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.

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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 adverse effect on the Company's results of operations and financial position.

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, other 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 adverse effect on the Company's results of operations and 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.

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

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Claims may arise that the Company's activities have caused environmental contamination, including the release of hazardous materials, 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 adverse effect on the Company's results of operations and financial position.

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 liquidity.

The Company previously manufactured products containing asbestos from 1954 to 2001. If the Company is required to incur additional expenses, including payments to the individuals concerned or expenses arising from litigations related to the asbestos-related health hazards and such expenses become significant, they may result in a material adverse effect on the Company's results of operations, financial position and 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, any of which could have a material adverse effect on the Company's results of operations and financial position.

If the Company is damaged by natural disasters or other unpredictable events, it may have an adverse effect on the Company's results of operations and financial position.

The Company operates and maintains production, R&D, sales, and other business facilities in Japan, North America, Europe, Asia and other regions. If natural disasters such as earthquakes, tsunamis, floods, typhoons, pandemic, wars, terrorist attacks, accidents such as fires, information system or communication network breakdown or improper operation or other unpredictable events occur in countries and regions in which the Company operates, the Company's production, distribution, and sales activities may be disrupted, which could have an adverse effect on the Company's results of operations and financial position.

In particular, Japan is a country with frequent earthquakes, and as a result, the Company has a reasonable probability of suffering from a strong earthquake or tsunami.

The risks related to the aftermath of the Great East Japan Earthquake may have a material adverse effect on the Company's results of operations and financial position.

Although the Company incurred damage at several plants and sales facilities located in east Japan from the Great East Japan Earthquake, the damaged sites were remediated and resumed business activities. However, the aftermath of the Great East Japan Earthquake has had and continues to have a serious negative impact on the Japanese economy. Specifically, continuous leakage of radiation from the nuclear power plants in Fukushima Prefecture, harmful rumors regarding agricultural products grown in the areas affected by the leakage, and shortages in the electricity supply due to shutdown of all nuclear power plants in Japan may have adverse effects on the Company's production and sales activities.

Security breaches and other disruptions to the Company's IT system and networks may have a material adverse effect on the Company's results of operations and financial position.

The Company faces certain security threats, including threats to the confidentiality, availability and integrity of our data and systems. If the Company's IT system and networks are disrupted or experience a security breach, the Company may suffer from an opportunity loss due to production downtime or may be subject to litigation or threat of litigation for information leakage, which in turn may cause a material adverse effect on the Company's results of operations and financial position. If such security breaches and other disruptions occur, the Company may lose the confidence of the public and suffer a reduction in its brand value, which may cause a decline in demand for our products and result in decreased revenues.

**Table of Contents****Item 4. Information on the Company****A. History and Development of the Company**

KUBOTA CORPORATION (KABUSHIKI KAISHA KUBOTA), the ultimate parent company of the Kubota group, was founded in 1890 by Gonshiro Kubota and incorporated in 1930 under the Commercial Code of Japan. In 1949, the shares of the Company were listed on the Tokyo Stock Exchange and Osaka Securities Exchange. In 1976, the shares of the Company were also listed on the New York Stock Exchange. Today, Kubota is a manufacturer of farm equipment, engines, construction machinery and also producer of various pipe-related products, principally ductile iron pipes and environment-related products such as environmental control plants. In addition, the Company manufactures and sells industrial castings, spiral welded steel pipes, vending machines, electronic-equipped machinery, and air-conditioning equipment.

The Company's registered office is located at 2-47, Shikitsuhashi 1-chome, Naniwa-ku, Osaka 556-8601, Japan.

The Company's telephone number in Japan is +81-6-6648-2111.

The Company's production network primarily comprises 20 plants in Japan and 24 plants in overseas countries. Kubota also has 13 sales subsidiaries in overseas countries.

**Principal Capital Expenditures and Divestitures**

Capital expenditures in fiscal 2012, 2011 and 2010 amounted to ¥31,112 million, ¥23,951 million, and ¥26,038 million, respectively, on an accrual basis. The funding requirements for these capital expenditures were mainly provided by internal operations, and partially provided by external debt financing.

The following table sets forth the principal capital expenditures in progress for the last three fiscal years:

As of March 31, 2012

| <b>Location</b>         | <b>Reporting segment included</b> | <b>Description</b>                                                                        | <b>Estimated amount of expenditures Total amount of expenditures (¥ billion)</b> | <b>Schedule Commenced</b> |
|-------------------------|-----------------------------------|-------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|---------------------------|
| Chachoengsao (Thailand) | Farm & Industrial Machinery       | Building of new production facility for casting parts of tractors and engines in Thailand | ¥6.6                                                                             | May. 2008                 |
| Dammam (Saudi Arabia)   | Social Infrastructure             | Building of new production facility for steel castings in Saudi Arabia                    | ¥3.4                                                                             | Mar. 2009                 |
| Jiangsu (China)         | Farm & Industrial Machinery       | Building of new production facility for construction machinery in China                   | ¥3.8                                                                             | Jul. 2010                 |
| Chachoengsao (Thailand) | Farm & Industrial Machinery       | Building of new production facility for diesel engines in Thailand                        | ¥5.4                                                                             | Nov. 2010                 |
| Chonburi (Thailand)     | Farm & Industrial Machinery       | Production facility for combine harvesters in Thailand                                    | ¥2.0                                                                             | Oct. 2009                 |
| Georgia (U.S.)          | Farm & Industrial Machinery       | Building of new production facility for compact tractors                                  | ¥5.5                                                                             | Jan. 2012                 |





**Table of Contents**As of March 31, 2011

| <b>Location</b>         | <b>Reporting segment included</b> | <b>Description</b>                                                                        | <b>Estimated amount of expenditures Total amount of expenditures (¥ billion)</b> | <b>Schedule Commenced</b> |
|-------------------------|-----------------------------------|-------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|---------------------------|
| Chachoengsao (Thailand) | Farm & Industrial Machinery       | Building of new production facility for casting parts of tractors and engines in Thailand | ¥6.6                                                                             | May. 2008                 |
| Dammam (Saudi Arabia)   | Social Infrastructure             | Building of new production facility for steel castings in Saudi Arabia                    | ¥3.4                                                                             | Mar. 2009                 |
| Jiangsu (China)         | Farm & Industrial Machinery       | Building of new production facility for construction machinery in China                   | ¥3.8                                                                             | Jul. 2010                 |
| Chachoengsao (Thailand) | Farm & Industrial Machinery       | Building of new production facility for diesel engines in Thailand                        | ¥5.4                                                                             | Nov. 2010                 |
| Chonburi (Thailand)     | Farm & Industrial Machinery       | Production facilities for combine harvesters in Thailand                                  | ¥2.0                                                                             | Oct. 2009                 |

As of March 31, 2010

| <b>Location</b>         | <b>Reporting segment included</b> | <b>Description</b>                                                                        | <b>Estimated amount of expenditures Total amount of expenditures (¥ billion)</b> | <b>Schedule Commenced</b> |
|-------------------------|-----------------------------------|-------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|---------------------------|
| Chachoengsao (Thailand) | Farm & Industrial Machinery       | Building of new production facility for casting parts of tractors and engines in Thailand | ¥6.6                                                                             | May. 2008                 |
| Dammam (Saudi Arabia)   | Social Infrastructure             | Building of new production facility for steel castings in Saudi Arabia                    | ¥3.4                                                                             | Mar. 2009                 |
| Chonburi (Thailand)     | Farm & Industrial Machinery       | Production facilities for combine harvesters in Thailand                                  | ¥2.0                                                                             | Oct. 2009                 |

**B. Business Overview**

The Company classifies its products for revenue reporting purposes into the following four reporting segments: Farm & Industrial Machinery which includes farm equipment, engines and construction machinery; Water & Environment Systems which includes ductile iron pipes, plastic pipes, valves, environmental control plants, pumps and other products; Social Infrastructure which includes industrial castings, spiral welded steel pipes, vending machines, electronic-equipped machinery, and air-conditioning equipment; and Other which includes construction, services and other businesses.



**Table of Contents****Revenues by Reporting Segment**

The following table sets forth revenues by reporting segment for the last three fiscal years:

|                             | 2012             |              | Millions of yen<br>2011 |              | 2010           |              |
|-----------------------------|------------------|--------------|-------------------------|--------------|----------------|--------------|
|                             | ¥                | %            | ¥                       | %            | ¥              | %            |
| Farm & Industrial Machinery | 713,943          | 70.8         | 651,518                 | 69.8         | 616,726        | 66.2         |
| Water & Environment Systems | 198,511          | 19.7         | 192,768                 | 20.6         | 222,949        | 24.0         |
| Social Infrastructure       | 64,775           | 6.4          | 60,439                  | 6.5          | 63,293         | 6.8          |
| Other                       | 30,790           | 3.1          | 28,960                  | 3.1          | 27,676         | 3.0          |
| <b>Total</b>                | <b>1,008,019</b> | <b>100.0</b> | <b>933,685</b>          | <b>100.0</b> | <b>930,644</b> | <b>100.0</b> |

**Operations of Each Segment****Farm & Industrial Machinery**

Farm & Industrial Machinery includes farm equipment, engines and construction machinery. Kubota is one of Japan's leading manufacturers of farm equipment and small engines for agricultural use. This market in Japan is dominated by four major manufacturers. Main products include tractors ranging from 10.5 to 135 horsepower, combine harvesters, rice transplanters, power tillers and reaper binders. The Company also manufactures and sells a line of construction machinery including mini-excavators and wheel loaders as well as engines for various industrial uses. Overseas revenues accounted for 67.0% of the total revenues of this segment in fiscal 2012.

Domestic sales of farm equipment, engines and construction machinery are made by wholesale dealers, retail dealers or the National Federation of Agricultural Cooperative Associations. Overseas sales are made by trading companies, local distributors or the Company's overseas subsidiaries and affiliates.

The products in this segment are manufactured at six domestic plants as well as foreign manufacturing subsidiaries in the U.S., Germany, China, Thailand, Indonesia, Vietnam, Norway, Denmark, the U.K., Netherlands, France, and Russia.

**Water & Environment Systems**

Water & Environment Systems is comprised of pipe-related products and environment-related products.

Pipe-related products consist of ductile iron pipes, plastic pipes and fittings, and various valves. Most of these products are sold to local and national governments and public utilities for use principally in water supply and sewage systems along with industrial water supply as well as gas supply, telecommunication and irrigation systems.

Environment-related products consist of environmental control plants, pumps and related engineering. The Company supplies water and sewage treatment plants, submerged membrane systems and biogas production systems for water treatment. The Company also supplies pulverizing facilities for solid waste treatment and various pumps for waterworks, sewage facilities, irrigation system, rainwater drainage and power supplies.

Domestic sales of pipe-related products are made by trading companies or dealers, or are directly made to other companies or local and national governments. Overseas sales of pipe-related products are made by trading companies or a subsidiary, or are directly made to other companies. A large portion of the sales of environment-related products are made to municipalities focusing on the domestic environmental engineering market, which is competitive with many engineering companies. Overseas revenues of this segment accounted for 7.0% of the total revenues of this segment in fiscal 2012. There are 11 manufacturing plants in Japan and a manufacturing subsidiary in China.

**Table of Contents****Social Infrastructure**

Social Infrastructure is comprised of industrial castings, spiral welded steel pipes, vending machines, electronic-equipped machinery, and air-conditioning equipment.

Demand for these products is mostly related to the capital spending of the private sector. Domestic sales of products of this segment are made by trading companies or subsidiaries, or are directly made to other companies and public entities. Overseas sales are made by trading companies or subsidiaries, or are directly made to other companies. Overseas revenues of this segment accounted for 25.8% of the total revenues of this segment in fiscal 2012. The products in this segment are manufactured at six plants in Japan and manufacturing subsidiaries in Canada, Indonesia and Saudi Arabia.

**Other**

This segment encompasses all the other businesses not attributable to the other three segments such as construction, services and other businesses. Most of the products and services of this segment are directly sold to other companies and public entities. Overseas revenues of this segment accounted for 0.7% of the total revenues of this segment in fiscal 2012. There are no manufacturing plants in this segment.

**Revenues by Region**

The following table sets forth revenues by region for the last three fiscal years:

|                    | Millions of yen    |                  |                  |
|--------------------|--------------------|------------------|------------------|
|                    | 2012               | 2011             | 2010             |
| Japan              | ¥ 498,684          | ¥ 477,913        | ¥ 501,663        |
| Overseas:          |                    |                  |                  |
| North America      | 219,929            | 189,330          | 174,371          |
| Europe             | 88,715             | 75,762           | 67,791           |
| Asia outside Japan | 169,632            | 160,533          | 148,589          |
| Other Areas        | 31,059             | 30,147           | 38,230           |
| <b>Subtotal</b>    | <b>509,335</b>     | <b>455,772</b>   | <b>428,981</b>   |
| <b>Total</b>       | <b>¥ 1,008,019</b> | <b>¥ 933,685</b> | <b>¥ 930,644</b> |

**Overseas Activities**

The Company's overseas revenues (which represent sales to unaffiliated customers outside Japan) in fiscal 2012, 2011, and 2010 amounted to ¥509,335 million, ¥455,772 million and ¥428,981 million, respectively. The ratios of such overseas revenues to consolidated revenues in 2012, 2011, and 2010 were 50.5%, 48.8% and 46.1%, respectively. The revenues of the Company's subsidiaries outside Japan in fiscal 2012, 2011, and 2010 amounted to ¥475,769 million, ¥423,074 million and ¥386,503 million, respectively. Their ratios to consolidated revenues in fiscal 2012, 2011, and 2010 were 47.2%, 45.3% and 41.5%, respectively.

The Company has manufacturing subsidiaries in the U.S., Canada, France, the U.K., Germany, Netherlands, Norway, Denmark, Russia, China, Indonesia, Thailand, Vietnam and Saudi Arabia and manufacturing affiliates in China and India. International sales subsidiaries are located in the U.S., Canada, France, the U.K., Germany, Spain, Australia, China, South Korea, India, and the Philippines. In addition, liaison offices are located in Torrance (California, U.S.), Paris (France), Dubai (U.A.E.), Beijing (China), Suzhou (China), Seoul (South Korea), Bangkok (Thailand), Chonburi (Thailand), Hanoi (Vietnam), Kuala Lumpur (Malaysia), Cairo (Egypt), Delhi (India), Singapore (Singapore), Quezon City (the Philippines), and Jakarta (Indonesia).

**Seasonality of the Company's Businesses**

In businesses such as ductile iron pipes, valves, environmental control plants, and pumps, which rely upon national government or municipalities for most of their sales, there is a tendency that sales in the second half of the fiscal year are much larger than those in the first half. Due to the

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fact that the fiscal years of the Japanese national government and municipalities generally end in March, the execution of public budgets in the second half is usually much larger than in the first half of the fiscal year.

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### Raw Materials and Source of Supply

The Company purchases raw materials and parts from numerous sources. The major materials purchased are steel scrap, polyvinyl chloride resin, rolled steel coils, non-ferrous metals, alloys, pig iron, and coal. Some of the purchase prices of the major materials such as steel scrap fluctuate significantly by supply and demand conditions of the market. Historically, the Company has not experienced difficulties in obtaining adequate supplies of all of its raw materials requirements.

### Marketing Channels

Domestic sales of farm equipment, engines and construction machinery are made through wholesale, retail dealers or the National Federation of Agricultural Cooperative Associations. Overseas sales of those products are made through trading companies, local distributors, and overseas subsidiaries and affiliates.

A large portion of pipes, valves, environmental control plants and pumps are sold to public-sector markets in Japan directly by the Company, as well as through dealers.

On the other hand, domestic sales of most of the industrial machinery and certain industrial castings are made to private-sector markets through dealers and trading companies, or directly to the end-users. In the case of vending machines, domestic sales are made to manufacturers of beverages or other products sold in vending machines. Overseas sales of those products are made directly by the Company or through trading companies, local distributors and an overseas affiliate.

### Contracts, Licenses, Patents and Manufacturing Processes

The Company enters into various contracts. Some of them, for example, are for technical cooperation with other manufacturers, or for financing from banks. Although these contracts are relatively important to the Company, we are not dependent on any specific contracts.

With respect to licenses or patents, the Company is not dependent on specific licenses or patents. As of March 31, 2012, the Company held 6,578 Japanese patents and 2,769 foreign patents and utility model registrations. A utility model registration is a right granted under Japanese law and in certain other countries to inventions of lesser originality than those which qualify for patents. Although patent rights are important to Kubota, the Company does not consider that the expiration of any single patent or group of related patents would materially affect Kubota's business. Kubota grants others licenses to use its technology including its patents, and obtains licenses under patents from third parties for technological assistance on a royalty basis. In fiscal 2012, royalty income and expenses were ¥920 million and ¥86 million, respectively, under such licensing arrangements.

### Competition

The Company is one of the leading manufacturers of farm equipment in Japan. There are three other major Japanese manufacturers of farm equipment for agricultural use, all of which offer a complete line of machinery in competition with the Company. In overseas markets, the Company experiences strong competition from Japanese and foreign companies in the sale of farm equipment and engines.

The main products of the Company other than farm equipment are ductile iron pipes, plastic pipes, environment-related products, and industrial castings. In the ductile iron pipes market, the Company competes with two other major manufacturers within the borders and many other manufacturers in overseas markets. Most of the plastic pipes produced by the Company are sold in Japan and the Company competes with two major manufacturers. Most of the environment-related products produced by the Company are sold in Japan and there are many competitors. The Company also competes actively in the industrial castings market at home and abroad.

In addition, the Company faces intense competition in other products in the domestic and overseas markets.

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### **Governmental Regulations**

The businesses of the Company tend to be affected by the regulations or restrictions in the countries where the Company operates. Those are, for example, regulations concerning emissions, safety, noise and vibration, investments, tariffs, anti-monopoly, intellectual property, foreign exchange, and the environment.

The followings are some of the regulations which have important effects on the Company's business.

#### 1) Emissions Regulations for Off-road Diesel Engines

In 1995, the California Air Resources Board (the CARB), in the United States enforced an emissions regulation for off-road engines (below 19 kW in power) for the first time in the world. The Company led the world by complying with this standard and moved ahead of other competitors toward compliance with emissions regulations that were later enacted in several other countries. Between 1996 and 2000, the Environmental Protection Agency, or EPA, in the United States introduced Tier 1 standards, which were phased in for engines at and above 37kW in power. In addition, EPA adopted Tier 1 standards for engines below 37kW, which were phased in between 1999 and 2000, and established more stringent Tier 2 and Tier 3 standards for all engine sizes. Tier 2 standards were phased in between 2001 and 2005 for all engine sizes, and Tier 3 standards for engines between 37 and 560 kW were phased in between 2006 and 2008. The more stringent Tier 4 enacted in 2008 and will be phased in through 2015.

In Japan, the Ministry of Land, Infrastructure, Transport and Tourism (the Ministry) launched the Stage 1 low emission construction machineries designation scheme in 1991 and decided to use low emission construction machinery in the Ministry's directly controlled projects starting in 1996. The Stage 2 standard was announced in 1997, and the Ministry began to accept applications for designations under the Stage 2 standard from 2001. In 2003, a similar regulation began to apply to on-road special motor vehicles driven by diesel fuel such as agricultural and construction machinery. This 2003 regulation was set to be equivalent with the Tier 2 regulation of EPA's. Later in 2006, the regulation for diesel special motor vehicles was tightened to the level of the second phase (equivalent with EPA Tier 3). In April 2006, the Act for the Regulations, etc. of Emission from Special Non-Road Motor Vehicles (Off-road Act of Japan), intended for motor vehicles that do not run on public roads such as construction machinery, went into effect, which was timed to coincide with the announcement of the Stage 3 of the low emission construction machinery designation scheme. Consequently, the scope of application of this regulation broadened. The regulation for special motor vehicles and off-road special motor vehicles will be tightened to the level of the third phase (equivalent with EPA Tier 4) between 2011 and 2013 and to the level of the fourth phase (equivalent with EPA Tier 4) between 2014 and 2015.

In Europe, the Stage 1 emission of gaseous and particulate pollutants from internal combustion engines to be installed in non-road mobile machinery was put into effect under EU Directive 97/68/EC in 1999. The Stage 2 standard was applied between 2001 and 2004 and the Stage 3 standard was applied in 2006, respectively. From 2011, the regulation will be tightened at the same time as Japan and the United States.

The Company's research and development for new engines equipped with new technology is under way to cope with future Tier 4 regulations in Japan, the United States and Europe. The Company obtained CARB authentication for the first time in the world for compact diesel engines (below 4L) in order to comply with tentative Tier 4, which has enacted in 2012 for engines between 56 and 130 kW. In addition, the Company has been leading the world by obtaining authentication for compact diesel engines (below 4L) in order to comply with the Stage 4 standard in Europe and the United States and has started to sell them in the market. As to regulations in Asian countries, including China, Korea and India, the Company has been dealing with intensively as well.

#### 2) Safety Regulations

There are a variety of regulations concerning safety, and every country or region has its own regulations. Rollover Protective Structures (the ROPS), which are designed to protect operators of tractor from injuries caused by vehicle overturns or rollovers, are required to have the necessary specified bearing capacity based on the type of the machine installed and the deflection-related performance requirements. In case of construction machinery, Tip-Over Protective Structures (the TOPS) and Falling Object Protective Structures (the FOPS) are required in addition to ROPS. TOPS are designated to prevent an operator from being injured if a machine tips on its side. FOPS are designed to protect equipment operators from injuries caused by objects falling from above, and are required to comply with specified strength requirements specified based on how they are actually used. Those regulations differ in measurement methods or criteria, and major ones in the world are Japanese Industrial Standards (the JIS), European Norm (the EN), and Occupational Safety and Health Administration (the OSHA). In particular, the EN on safety regulations is compulsory.





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## 3) Regulations on Noise and Vibration

In Europe, the Directive 86/662/EEC, which specifies the noise control standards for non-road equipment such as hydraulic shovels, excavation drills, bulldozers, loaders, and excavation loaders, became effective in December 1986. The Directive was revised in June 1995 into 95/27EC, which became effective in 1997. The Noise Emissions in the Environment by Equipment for Use Outdoors Directive, 2000/14/EC, became effective in January 2002 replacing 95/27/EC. The Directive 2000/14/EC regulates noise emitted to surrounding areas from 57 types of equipment for use in outdoors, such as lawn mowers and construction equipment. Manufacturers are obliged to demonstrate that their products generate noise within the specified range of noise and comply with the requirements of such Directive by attaching a label (guaranteed noise label) before shipping those products to the market (they are also required to attach the CE mark). The noise level regulations in the primary stage were applied during the period from January 3, 2002 to January 2, 2006. The noise value limit was further reduced in January 3, 2006 by the more stringent regulation 2005/88/EC.

In Japan, the Regulations on Designation of Low-noise and Low-vibration Construction Machinery were announced in October 1997 to mitigate noise and vibration from construction work, protect the living environment around the work site, and ensure smooth implementation of construction work. These regulations stipulate the designations of low-noise construction machines and low-vibration construction machines to promote diffusion of environmentally-friendly construction machines. Construction machines that satisfy the noise and emission requirements specified by these regulations are allowed to attach the low-noise construction equipment label. The Company's mini backhoes of not more than 55 hp, which are required to comply with the noise limit of 99 dB in order to qualify for the level, are all qualified to attach the low-noise construction equipment label. Although compliance with the Regulations is voluntary, there are cases where the use of noncompliant machines is not permitted at work sites for projects under direct management of the Ministry of Land, Infrastructure, Transport and Tourism.

## 4) Regulation on Hazardous Chemical Substances

In Europe, the Registration, Evaluation, Authorisation and Restriction of Chemicals (EC No 1907/2006), or (REACH), entered into force in June 2007. REACH covers a single chemical substance and its compounds as well as those in preparations and in articles. EU manufacturers and importers must gather information on safety assessment, including properties and uses of substances, and register it with the European Chemicals Agency. Also, manufacturers, importers, and users of products containing chemical substances are, in the supply chain, obliged to communicate information on substances of very high concern (SVHC). In addition, it is necessary to comply with the requirements for substances in the authorization and restriction lists.

The Company will continue to take measures to properly manage chemical substances contained in its products.

**C. Organization Structure**

As of March 31, 2012, the Kubota Corporation group consists of Kubota Corporation, 150 subsidiaries and 20 affiliates. Kubota Corporation plays a leading role in the group. The following table sets forth the Company's significant subsidiaries:

| Country of incorporation or residence | Name                                        | Percentage ownership and voting interest (%) |
|---------------------------------------|---------------------------------------------|----------------------------------------------|
| Japan                                 | Kubota Credit Co., Ltd.                     | 69.7                                         |
|                                       | Kubota-C.I. Co., Ltd.                       | 70.0                                         |
| U.S.A.                                | Kubota U.S.A., Inc.                         | 100.0                                        |
|                                       | Kubota Tractor Corporation                  | 90.0                                         |
|                                       | Kubota Credit Corporation, U.S.A.           | 100.0                                        |
|                                       | Kubota Manufacturing of America Corporation | 100.0                                        |
|                                       | Kubota Industrial Equipment Corporation     | 100.0                                        |

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|          |                                                 |       |
|----------|-------------------------------------------------|-------|
|          | Kubota Engine America Corporation               | 90.0  |
| Canada   | Kubota Canada Ltd.                              | 80.0  |
|          | Kubota Metal Corporation                        | 100.0 |
| Germany  | Kubota Baumaschinen GmbH                        | 100.0 |
|          | Kubota (Deutschland) GmbH                       | 80.0  |
| France   | Kubota Europe S.A.S.                            | 73.8  |
| U.K.     | Kubota (U.K.) Ltd.                              | 60.0  |
| Norway   | Kverneland ASA                                  | 79.0  |
| Thailand | SIAM KUBOTA Corporation Co., Ltd.               | 60.0  |
|          | SIAM KUBOTA Metal Technology Co., Ltd.          | 100.0 |
| China    | Kubota Agricultural Machinery (SUZHOU) Co., Ltd | 100.0 |

**Table of Contents****D. Property, Plant and Equipment**

The following table sets forth information with respect to Kubota's principal manufacturing facilities:

| Location                  | Land area<br>(Thousand square meters) |        | Floor space<br>(Thousand square meters) |        | Principal products                                         |
|---------------------------|---------------------------------------|--------|-----------------------------------------|--------|------------------------------------------------------------|
|                           | Owned                                 | Leased | Owned                                   | Leased |                                                            |
| <b><i>Japan</i></b>       |                                       |        |                                         |        |                                                            |
| Amagasaki (Hyogo)         | 365                                   | 11     | 135                                     |        | Ductile iron pipes, Rolls for steel mills                  |
| Funabashi (Chiba)         | 506                                   | 13     | 141                                     | 1      | Ductile iron pipes, Spiral welded steel pipes              |
| Okajima (Osaka)           | 78                                    |        | 48                                      |        | Cast iron products                                         |
| Sakai (Osaka)             | 597                                   | 15     | 201                                     | 29     | Farm equipment, Diesel engines                             |
| Utsunomiya (Tochigi)      | 146                                   |        | 71                                      | 4      | Farm equipment                                             |
| Tsukuba (Ibaraki)         | 335                                   | 30     | 157                                     | 27     | Farm equipment, Diesel engines                             |
| Hirakata (Osaka)          | 306                                   |        | 146                                     | 12     | Construction machinery, Pumps, Valves, Cast steel products |
| Konan (Shiga)             | 178                                   |        | 52                                      |        | Septic tanks                                               |
| Yao (Osaka)               | 38                                    |        | 26                                      |        | Electronic-equipped machinery                              |
| Ryugasaki (Ibaraki)       | 85                                    |        | 31                                      |        | Vending machines                                           |
| <b><i>U.S.A.</i></b>      |                                       |        |                                         |        |                                                            |
| Gainesville (Georgia)     | 841                                   |        | 118                                     |        | Lawn and garden tractors                                   |
| Jefferson (Georgia)       | 368                                   |        | 41                                      |        | Implements for tractors                                    |
| <b><i>Thailand.</i></b>   |                                       |        |                                         |        |                                                            |
| Amata Nakorn (Chonburi)   | 368                                   |        | 94                                      |        | Tractors and Combine harvesters                            |
| Navanakorn (Pathum Thani) | 79                                    |        | 28                                      |        | Diesel engines and Power tillers                           |

The Company considers its principal manufacturing facilities to be well maintained and suitable for the purpose for which they are employed and believes that its plant capacity is adequate for its current and near-term needs.

In addition, the Company owns 2,447 thousand square meters of land (312 thousand square meters of floor space) in Japan, used for the head office, branches, business offices and research facilities, and leases three thousand square meters of land (123 thousand square meters of floor space) used for sales offices, warehousing, employee housing and other purposes.

The Company plans its capital expenditures considering future business demand and cash flows. As of March 2012, the Company has planned to invest approximately ¥53.0 billion in the fiscal year ending March 31, 2013. The Company intends to fund the investment primarily through cash obtained by operating activities, and to also utilize available borrowings from financial institutions. The Company's commitments for capital expenditures outstanding at March 31, 2012 amounted to ¥2.9 billion.

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Principal plans for new construction, expansion, reforming, and disposition as of March 31, 2012, are as follows:

**New Construction**

| Location                | Reporting segment included  | Description                                                                               | Estimated amount of expenditures (Billions of yen) |                     | Schedule  |                 |
|-------------------------|-----------------------------|-------------------------------------------------------------------------------------------|----------------------------------------------------|---------------------|-----------|-----------------|
|                         |                             |                                                                                           | Total amount of expenditures                       | Amount already paid | Commenced | To be completed |
| Chachoengsao (Thailand) | Farm & Industrial Machinery | Building of new production facility for casting parts of tractors and engines in Thailand | ¥ 6.6                                              | ¥ 5.1               | May. 2008 | Mar. 2013       |
| Dammam (Saudi Arabia)   | Social Infrastructure       | Building of new production facility for steel castings in Saudi Arabia                    | ¥ 3.4                                              | ¥ 2.3               | Mar. 2009 | Dec. 2012       |
| Jiangsu (China)         | Farm & Industrial Machinery | Building of new production facility for construction machinery in China                   | ¥ 3.8                                              | ¥ 1.8               | Jul. 2010 | Sep. 2012       |
| Chachoengsao (Thailand) | Farm & Industrial Machinery | Building of new production facility for diesel engines in Thailand                        | ¥ 5.4                                              | ¥ 2.5               | Nov. 2010 | Mar. 2013       |
| Georgia (U.S.)          | Farm & Industrial Machinery | Building of new production facility for compact tractors in U.S.                          | ¥ 5.5                                              | ¥ 1.0               | Jan. 2012 | Oct. 2013       |

**Expansion**

| Location            | Reporting segment included  | Description                                              | Estimated amount of expenditures (Billions of yen) |                     | Schedule  |                 |
|---------------------|-----------------------------|----------------------------------------------------------|----------------------------------------------------|---------------------|-----------|-----------------|
|                     |                             |                                                          | Total amount of expenditures                       | Amount already paid | Commenced | To be completed |
| Chonburi (Thailand) | Farm & Industrial Machinery | Production facilities for combine harvesters in Thailand | ¥ 2.0                                              | ¥ 1.9               | Oct. 2009 | Dec. 2012       |

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***Reforming***

No material reforming is planned.

***Disposition***

No material disposition is planned.

**Item 4A. Unresolved Staff Comments**

The Company is a large accelerated filer as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended. There are no unresolved comments provided by the staff of the Securities and Exchange Commission (the Commission or the SEC) regarding the Company's periodic reports under the Securities Exchange Act of 1934, as amended, as of the date of the filing of this Form 20-F with the Commission.

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### Item 5. Operating and Financial Review and Prospects

#### A. 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 retail finance and finance leases, which primarily finance sales of equipment by dealers, for the purpose of facilitating sales of equipment to individual customers.

The Company's reporting segments consist of Farm & Industrial Machinery, Water & Environment Systems, Social Infrastructure 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 strengthening the initiatives it has taken thus far of pursuing management emphasizing the front-line of business, with focus on technology and manufacturing capabilities and enhancing CSR management (CSR: Corporate Social Responsibilities). The Company also implements growth and expansion of overseas business, implementation of structural reforms as well as formulation and implementation of long-term growth strategies in the fields of Food, Water, and the Environment as its principal business policies.

Through these measures, the Company is aiming to respond flexibly to significant changes in the corporate environment and become a sustainable company that can continue to develop sustainably for the long term.

##### Business environment

(Japan: The domestic market)

The Japanese real GDP experienced negative growth of -0.7% in 2011, reflecting the negative impact of the Great East Japan Earthquake (the Earthquake) as well as the Thailand Floods (the Floods) which caused a temporary halt of production activities.

According to Ministry of Agriculture, Forestry and Fisheries of Japan, damage to the agriculture, forestry and fisheries industries from the Earthquake was tremendous, amounted to over ¥2,000 billion. For restoration of the industries, the Japanese government compiled supplementary budget of the agriculture, forestry and fisheries industries amounted to approximately ¥1,500 billion in total. As for the market for agricultural machinery, according to report of Japan Farm Machinery Manufacturer's Association, total shipments of agricultural machinery in 2011 for the domestic market decreased by 3.7% from the prior year.

In general, the budget for public works projects, including the budget for water supply and sewage systems, have been gradually decreasing due to the growing budget deficits in the Japanese national and local governments. However, governmental construction investment in 2011 increased due to special budget for reconstruction of the Earthquake.

(North America)

The U.S. economy in 2011 was in a moderate recovery phase, while the Real GDP growth was 1.7%, a decrease of 1.3% from 2010. Although the absolute level of the unemployment rate and the housing statistics were well below historical norms, they both showed signs of improvement. Demand for tractors increased slightly. According to a 2011 report by the Association of Equipment Manufacturers (AEM), industry retail sales of units of tractors under 40hp (horse power) in the U.S. increased by 0.8% and industry retail sales units of tractors from 40 to 100hp in the U.S. increased by 3.8% from the prior year.

In Canada, demand for agricultural machinery and construction machinery increased steadily. As for tractors, industry retail sales units in Canada in 2011 increased by 5.5% from the prior year according to the AEM report.





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(Europe)

During 2011, the economy in Europe exhibited a moderate recovery with Real GDP growth of 1.5%. However, the EU economy exhibited a slowdown in the second half of 2011, affected by concern for a possible default by the Greek government and economic anxieties in Southern European countries.

Demand for construction machinery increased largely in the first half of 2011 due to the moderate economic recovery. Demand for engines also increased rapidly due to the moderate economic recovery.

(Asia outside Japan)

Thailand, which is one of the most important markets for the Company in Asia outside Japan, has been rapidly growing in recent years. However, Thailand's real GDP increased by only 0.1% in 2011 as a result of the tremendous damage caused by the Floods to major industrial estates. On the other hand, the agricultural revenues of Thailand's farmers are on an upward trend due to rice price hikes. These price hikes resulted from implementation of the rice mortgage scheme, which is a de-facto government rice buy-out program with premium prices, following the change of the government in the middle of 2011.

The Chinese economy has also been continuing its high growth in recent years as shown by the growth rate of Real GDP in 2011 of 9.2%. The Chinese government is focusing on development and mechanization of agriculture and increasing subsidies for agriculture every year. The budget for agricultural subsidies in 2011 increased Rmb2.0 billion from the prior year to Rmb17.5 billion.

*(The fiscal year ended March 31, 2012 compared with the fiscal year ended March 31, 2011)*

### Revenues

For the year ended March 31, 2012, revenues of the Company increased by ¥74.3 billion (8.0%) from the prior year to ¥1,008.0 billion.

In the domestic market, revenues increased by ¥20.8 billion (4.3%) from the prior year to ¥498.7 billion due to increased revenues in all reporting segments. Domestic revenues in Farm & Industrial Machinery increased mainly due to favorable sales of construction machinery and engines, and revenues in Water & Environment Systems increased due to steady sales of products related to public works such as environment-related products. Revenues in Social Infrastructure and Other also rose, thus resulting in an overall increase in domestic revenues.

In overseas markets, revenues increased by ¥53.6 billion (11.8%) from the prior year to ¥509.3 billion. Revenues in Farm & Industrial Machinery posted a major increase due to steady demand for construction machinery and engines in North America and Europe, and revenues in Social Infrastructure also increased. However, revenues in Water & Environment Systems and Other decreased. The ratio of overseas revenues to consolidated revenues was 50.5%, 1.7 percentage points higher than that in the prior year.

The Company estimates that the unfavorable impact of foreign currency fluctuations on the Company's overseas revenues for the year ended March 31, 2012 was approximately ¥33.0 billion. The average exchange rates of the yen against the U.S. dollar were ¥80 and ¥88 for the fiscal years ended March 31, 2012 and 2011, respectively, and the average exchange rates of the yen against the Euro were ¥111 and ¥116 for the fiscal years ended March 31, 2012 and 2011, respectively. These currency fluctuations mainly influence revenues in the Farm & Industrial Machinery segment, as the overseas revenues of this segment account for most of the Company's overseas revenues.

Natural disasters such as the Earthquake and the Floods disrupted parts procurement and power shortages for manufacturing. However, they did not significantly impact the revenues with the exception of the areas of distress.

### Revenues by Reporting Segment

#### 1) Farm & Industrial Machinery

Revenues in this segment increased 9.6% from the prior year to ¥713.9 billion and accounted for 70.8% of consolidated revenues.

Domestic revenues increased 4.0% to ¥235.4 billion. Domestic sales of farm equipment were at almost the same level as in the prior year. Sales of farm equipment decreased in the area affected by the Great East Japan Earthquake, while they increased in other areas. On the other hand, sales of construction machinery substantially increased and sales of engines increased steadily due to the market recovery including

reconstruction demand.

Overseas revenues increased 12.6% to ¥478.5 billion. In North America, sales of tractors increased due to a gain in sales volume as a result of an increase in market share of the Company, and sales of construction machinery significantly increased owing to the market recovery and the effect of launching new products. Sales of engines also increased steadily supported by firm demand. In Europe, sales of construction machinery and engines increased substantially due to an expansion of demand, while sales of tractors were at approximately the same level as the prior year. In Asia outside Japan, sales of farm equipment showed only slight increases, with the Floods being the main factor inhibiting a more substantial increase.

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## 2) Water &amp; Environment Systems

Revenues in this segment increased 3.0% to ¥198.5 billion from the prior year, and accounted for 19.7% of consolidated revenues.

Domestic revenues increased 3.3% to ¥184.6 billion. Sales of environment-related products, such as pumps, and waste water treatment equipment and plants increased resulting from increased orders. Sales of pipe-related products were at almost the same level as the prior year. Overseas revenues decreased 1.4% to ¥13.9 billion.

## 3) Social Infrastructure

Revenues in this segment increased 7.2 % to ¥64.8 billion from the prior year, comprising 6.4 % of consolidated revenues.

Domestic revenues increased 8.6 % to ¥48.1 billion. While sales of industrial castings and vending machines decreased, sales of spiral welded steel pipes, electronic equipped-machinery and air-conditioning equipment increased from the prior year. Overseas revenues increased 3.4 % to ¥16.7 billion mainly owing to increased sales of industrial castings.

## 4) Other

Revenues in this segment increased 6.3% to ¥30.8 billion from the prior year, and accounted for 3.1% of consolidated revenues. Sales of other business increased, while construction sales decreased.

**Cost of Revenues, SG&A Expenses, and Other Operating Expenses (Income)**

The cost of revenues increased 8.4% from the prior year to ¥735.8 billion. Cost of revenues as a ratio to consolidated revenues was 73.0%, almost the same level as the prior year.

Selling, general, and administrative (SG&A) expenses increased 2.9 % from the prior year to ¥170.3 billion. The ratio of SG&A expenses to revenues improved 0.8 percentage points to 16.9%, while shipping and handling costs increased approximately ¥2.0 billion from the prior year due to the sales increase.

Pension costs in the current year and allocation of pension costs to cost of revenues and SG&A expenses were almost the equivalent level as compared with the prior year.

Other operating income for the year was ¥3.7 billion, compared with ¥3.5 billion of expenses in the prior year, due to gain from sales of property, plant and equipment, and decrease in disaster-related losses. For further details, refer to Note 18 SUPPLEMENTAL EXPENSE INFORMATION on page F-40.

**Operating Income**

Operating income increased ¥19.6 billion (22.7%) from the prior year to ¥105.7 billion, due to an increase in overseas revenues in Farm & Industrial Machinery, company-wide cost reductions and gain on sales of property, plant and equipment.

As a result, operating margin for the fiscal year ended March 31, 2012 increased by 1.3 percentage points to 10.5% from 9.2% for the fiscal year ended March 31, 2011.

The following table sets forth operating income by reporting segment for the last two fiscal years:

|                             | Millions of yen |           |              |
|-----------------------------|-----------------|-----------|--------------|
|                             | 2012<br>¥       | 2011<br>¥ | Changes<br>% |
| Farm & Industrial Machinery | 97,776          | 86,487    | 13.1         |
| Water & Environment Systems | 14,829          | 13,121    | 13.0         |

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|                                          |          |          |      |
|------------------------------------------|----------|----------|------|
| Social Infrastructure                    | 2,651    | 2,463    | 7.6  |
| Other                                    | 2,450    | 2,096    | 16.9 |
| Adjustment for intersegment eliminations | (12,026) | (18,056) |      |
| Total                                    | 105,680  | 86,111   | 22.7 |

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Operating income in Farm & Industrial Machinery increased 13.1% to ¥97.8 billion, due to increased overseas revenues and cost reduction. Operating income in Water & Environment Systems increased 13.0% to ¥14.8 billion, supported by steady growth in domestic revenues. Operating income in Social Infrastructure increased 7.6% to ¥2.7 billion, mainly due to increased revenues. Operating income in Other increased 16.9% to ¥2.5 billion.

### Other Income (Expenses)

Other expenses for the year was ¥4.7 billion, decreasing by ¥9.9 billion compared with ¥5.2 billion of income in the prior year. Major factors of this change include an increase of foreign exchange loss-net of ¥6.0 billion, a decrease of gain on sales of securities-net of ¥4.7 billion, and the impact of the nonmonetary exchange of securities of MS&AD Insurance Group Holdings, Inc. recorded in the prior year. On the other hand, valuation gain on derivatives, which is not for speculation but for hedging purpose, partly offset these negative impacts. With regard to the nonmonetary exchange of securities of MS&AD Insurance Group Holdings, refer to Note 4 OTHER INVESTMENTS on page F-14.

Foreign exchange gains or losses generally arise from the revaluation of foreign currency-denominated assets such as notes and accounts 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. U.S. dollar, Euro and Baht-denominated assets accounted for a large portion of foreign exchange gains or losses. The exchange rates of the yen against the U.S. dollar were ¥82 and ¥83 as of March 31, 2012 and 2011, respectively, the yen against the Euro were ¥110 and ¥118 as of March 31, 2012 and 2011, respectively, and the yen against the Baht were ¥2.67 and ¥2.75 as of March 31, 2012 and 2011, respectively.

### Income before Income Taxes and Equity in Net Income of Affiliated Companies

Income before income taxes and equity in net income of affiliated companies increased by ¥9.6 billion from the prior year to ¥100.9 billion. An increase of operating income was partially offset by other expenses mentioned above.

### Income Taxes, Equity in Net Income of Affiliated Companies, and Net Income

Income Taxes increased 19.1% from the prior year to ¥36.5 billion, primarily as a result of an increase in Income before Income Taxes. The effective tax rate increased by 2.6 percentage points to 36.2% from 33.6% of the prior year. The increase of effective tax rate was mainly due to an increase in income before income taxes in overseas subsidiaries where high-tax rates are applied, such as those located in the U.S., and a decrease in income before income taxes in overseas subsidiaries where low-tax rates are applied, such as those located in Thailand. The effective tax rate also increased as a result of a reversal of deferred tax assets resulted from the reduction of corporate tax rates due to the revision of the tax law in Japan. Equity in net income of affiliated companies was ¥1.6 billion, an increase of ¥1.1 billion from the prior year. As a result, net income increased 8.0% from the prior year to ¥66.0 billion.

### Net Income Attributable to the Noncontrolling Interests

Net income attributable to the noncontrolling interests decreased 28.9% from the prior year to ¥4.5 billion mainly due to a decrease in net income of some consolidated subsidiaries with noncontrolling interests.

### Net Income Attributable to Kubota Corporation

Due to the factors described above, net income attributable to Kubota Corporation increased 12.3% from the prior year to ¥61.6 billion. Return on shareholders' equity increased 0.9 percentage points from the prior year to 9.6%.

### Net Income Attributable to Kubota Corporation per ADS

Basic net income attributable to Kubota Corporation per ADS (five common shares) was ¥244, as compared to ¥216 in the prior year.

### Dividends

The Company paid ¥40 per ADS as a year-end cash dividend. Accordingly, including the interim dividend of ¥35 per ADS paid by the Company, the total dividend for the year ended March 31, 2012 was ¥75 per ADS, which was ¥5 per ADS higher than the prior year.



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### Comprehensive Income Attributable to Kubota Corporation

Comprehensive income attributable to Kubota Corporation was ¥46.4 billion, ¥22.3 billion higher than the prior year. This increase was mainly due to a decrease in the negative effect of foreign currency translation adjustments and a turn from unrealized losses on securities into unrealized gains on securities attributable to the stock market recovery.

*(The fiscal year ended March 31, 2011 compared with the fiscal year ended March 31, 2010)*

### Revenues

For the year ended March 31, 2011, revenues of the Company increased ¥3.0 billion (0.3 %) from the prior year to ¥933.7 billion. Domestic revenues decreased ¥23.8 billion (4.7 %) to ¥477.9 billion from the prior year. However, overseas revenues increased ¥26.8 billion (6.2 %) from the prior year, to ¥455.8 billion.

Domestic revenues decreased mainly due to a decrease in Water & Environment Systems of ¥19.4 billion, of which ¥14.1 billion was mainly due to a decrease in sales volume of pipe-related products such as ductile iron pipes and plastic pipes. On the other hand, overseas revenues increased mainly due to an increase in Farm & Industrial Machinery of ¥38.0 billion. Out of ¥38.0 billion, ¥25.2 billion was resulted from sales increases in engine and construction machinery mainly due to higher shipment volumes.

The Company estimates that the unfavorable impact of foreign currency fluctuations on the Company's overseas revenues for that year was approximately ¥17.4 billion. The average exchange rates of the yen against the U.S. dollar were ¥88 and ¥94 for the fiscal years ended March 31, 2011 and 2010, respectively, and the average exchange rates of the yen against the Euro were ¥116 and ¥130 for the fiscal years ended March 31, 2011 and 2010, respectively. These currency fluctuations mainly influence revenues in the Farm & Industrial Machinery segment, as the overseas revenues of this segment account for most of the Company's overseas revenues.

The Earthquake had an impact on both the Japanese economy and the revenues of the Company for that year. However, the impact on the Company's revenues was mainly limited to sales of Farm & Industrial Machinery in the disaster areas and the impact was not material.

### Revenues by Reporting Segment

#### 1) Farm & Industrial Machinery

Revenues in Farm & Industrial Machinery increased 5.6 % from the prior year to ¥651.5 billion, comprising 69.8 % of consolidated revenues.

Domestic revenues decreased 1.4 % to ¥226.4 billion. In the domestic market, demand for farm equipment was sluggish due to weakening motivation for buying farm equipment resulting from the price slump of rice and the absence of governmental subsidy for leasing agricultural machinery, which was implemented in the prior year. Moreover, the Earthquake had a negative impact on demand for farm equipment. Accordingly, sales of farm equipment remained at a lower than expected. On the other hand, sales of construction machinery and engines increased largely due to an upturn of demand.

Overseas revenues increased 9.8 % from the prior year to ¥425.1 billion. In North America, sales of tractors and construction machinery increased as a result of aggressive sales promotion activities. Sales of engines also increased largely supported by favorable demand. In Europe, sales of construction machinery and engines increased substantially due to a rapid recovery of demand, while sales of tractors decreased. In Asia outside Japan, although growth rate of sales of farm equipment slowed down mainly affected by bad weather, sales of construction machinery largely increased.

#### 2) Water & Environment Systems

Revenues in Water & Environment Systems decreased 13.5 % from the prior year, to ¥192.8 billion, comprising 20.6 % of consolidated revenues.

Domestic revenues decreased 9.8 % from the prior year to ¥178.7 billion. Sales of pipe-related products such as ductile iron pipes and plastic pipes, decreased substantially due to sluggish demand. Sales of environment-related products also decreased mainly due to a decrease in sales of products related to water and sewage treatment, and waste treatment.

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Overseas revenues decreased 43.3 % from the prior year to ¥14.1 billion, due to substantial sales declines of ductile iron pipes and pumps.



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## 3) Social Infrastructure

Revenues in Social Infrastructure decreased 4.5 % from the prior year to ¥60.4 billion, comprising 6.5 % of consolidated revenues.

Domestic revenues decreased 5.8 % from the prior year to ¥44.3 billion. Although sales of electronic-equipped machinery and air-conditioning equipment increased, sales of spiral welded steel pipes largely decreased and sales of industrial castings as well as vending machines also decreased from the prior year.

Overseas revenues decreased 0.7 % from the prior year to ¥16.2 billion due to the sales decline of industrial castings.

## 4) Other

Revenues in Other increased 4.6 % from the prior year to ¥29.0 billion, comprising 3.1 % of consolidated revenues, due to an increase in sales of construction and other business.

**Cost of Revenues, SG&A Expenses, and Other Operating Expenses**

The cost of revenues decreased 0.4% from the prior year, to ¥678.7 billion due to company-wide cost reduction activities and decreases in depreciation and pension costs, and as a result, cost of revenues as a ratio to consolidated revenues improved 0.5 percentage points to 72.7%.

Selling, general, and administrative (SG&A) expenses decreased 7.8 % from the prior year to ¥165.4 billion mainly due to decreases in pension costs, labor costs and advertising costs. As a result, the ratio of SG&A expenses to revenues improved 1.6 percentage points to 17.7%.

Pension costs in 2010 decreased ¥8.8 billion from the prior year mainly due to absence of the immediate recognition of net actuarial losses in excess of 20% of the projected benefit obligation which was recognized in 2009. Out of ¥8.8 billion, ¥5.9 billion was included in the cost of revenues and ¥2.9 billion was included in SG&A Expenses.

Other operating expenses increased ¥3.3 billion from the prior year to ¥3.5 billion due to expenses totaling ¥2.5 billion for the disaster-related losses from the Earthquake. For details, refer to Note 18 SUPPLEMENTAL EXPENSE INFORMATION on page F-40.

**Operating Income**

Operating income increased ¥16.4 billion (23.5 %) to ¥86.1 billion from the prior year. This increase in operating income was due primarily to positive impacts such as favorable geographic and product mix in revenues, and decreases in pension costs and material cost, which outweighed negative impacts of foreign currency fluctuations and losses of the Earthquake.

As a result, operating margin for the fiscal year ended March 31, 2011 increased by 1.7 percentage points to 9.2% from 7.5% for the fiscal year ended March 31, 2010.

The following table sets forth operating income by reporting segment for the last two fiscal years:

|                                          | Millions of yen |           |              |
|------------------------------------------|-----------------|-----------|--------------|
|                                          | 2011<br>¥       | 2010<br>¥ | Changes<br>% |
| Farm & Industrial Machinery              | 86,487          | 60,485    | 43.0         |
| Water & Environment Systems              | 13,121          | 19,723    | (33.5)       |
| Social Infrastructure                    | 2,463           | 2,699     | (8.7)        |
| Other                                    | 2,096           | 2,629     | (20.3)       |
| Adjustment for intersegment eliminations | (18,056)        | (15,834)  |              |
| Total                                    | 86,111          | 69,702    | 23.5         |

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Operating income in Farm & Industrial Machinery increased 43.0 % to ¥86.5 billion due to increased overseas revenues and cost reduction. On the other hand, operating income in Water & Environment Systems decreased 33.5 % to ¥13.1 billion due to decreased revenues and rising material cost such as steel scrap and vinyl chloride resin. Operating income in Social Infrastructure decreased 8.7 % to ¥2.5 billion due to decreased revenues. Operating income in Other decreased 20.3 % to ¥2.1 billion.

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### Other Income

Other income, net, increased ¥1.4 billion to ¥5.2 billion from the prior year. A foreign exchange gain-net of ¥2.9 billion in the prior year turned to a loss-net of ¥1.6 billion in 2011. However, gain on sales of securities-net increased ¥3.0 billion from the prior year to ¥4.8 billion and there was a gain of ¥2.8 billion from the nonmonetary exchange of securities of MS&AD Insurance Group Holdings, Inc., through the merger of Aioi Insurance Co., Ltd., Nissay Dowa General Insurance Co., Ltd., and Mitsui Sumitomo Insurance Group. With regard to the nonmonetary exchange of securities of MS&AD Insurance Group Holdings, refer to Note 4 OTHER INVESTMENTS on page F-14.

Foreign exchange gains or losses generally arise from the revaluation of foreign currency-denominated assets such as notes and accounts 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. U.S. dollar, Euro and Baht-denominated assets accounted for a large portion of foreign exchange gains or losses. The exchange rates of the yen against the U.S. dollar at the balance sheet date were ¥83 and ¥93 for the fiscal year ended March 31, 2011 and 2010, respectively, and the yen against the Euro were ¥118 and ¥125 for the fiscal years ended March 31, 2011 and 2010, respectively.

### Income before Income Taxes and Equity in Net Income of Affiliated Companies

Income before income taxes and equity in net income of affiliated companies increased ¥17.8 billion from the prior year to ¥91.3 billion due to an increase in operating income.

### Income Taxes, Equity in Net Income of Affiliated Companies, and Net Income

Income Taxes increased 18.1% from the prior year to ¥30.7 billion, primarily as a result of an increase in Income before Income Taxes. The effective tax rate decreased by 1.8 percentage points to 33.6% from 35.4% of the prior year. Equity in net income of affiliated companies was ¥0.5 billion, an increase of ¥0.1 billion from the prior year. As a result, net income increased 27.6% from the prior year to ¥61.1 billion.

### Net Income attributable to the noncontrolling interests

Net income attributable to the noncontrolling interests increased 12.6% from the prior year, to ¥6.3 billion due to higher profits of consolidated subsidiaries.

### Net Income attributable to Kubota Corporation

Due to the factors described above, net income attributable to Kubota Corporation increased 29.5% from the prior year to ¥54.8 billion. Return on shareholders' equity increased 1.7 percentage points to 8.7%, from the prior year.

### Net Income attributable to Kubota Corporation per ADS

Basic net income attributable to Kubota Corporation per ADS (five common shares) was ¥216, as compared to ¥166 in the prior year.

### Dividends

The Company paid ¥35 per ADS as a year-end cash dividend. Accordingly, including the interim dividend of ¥35 per ADS paid by the Company, the total dividend for the year ended March 31, 2011 was ¥70 per ADS, which was ¥10 per ADS higher than the prior year.

### Comprehensive Income

Comprehensive Income was ¥24.1 billion, ¥46.6 billion lower than the prior year. This decrease was mainly due to the negative effect of foreign currency translation adjustments resulting from the appreciation of the yen and a turn from unrealized gains on securities into unrealized losses on securities, due to the stock market slump.

### Critical Accounting Estimates

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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.

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## 1) Allowance for Doubtful Accounts and Credit Losses

An allowance for doubtful accounts and credit losses is established to cover probable losses arising from customers' inability to repay. The allowance for doubtful receivables is determined on the basis of the collection status of receivables, historical credit loss experience, economic trends, customer's ability to repay, and collateral values. 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. 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.

## 2) Impairment of Long-Lived Assets

The application of impairment accounting requires the use of significant estimates and assumptions. Long-lived assets to be held and used are reviewed for impairment by comparing the carrying value of an asset group with its estimated undiscounted future cash flows. This review is primarily performed using estimates of future cash flows by product category. If the carrying value of the asset group is considered impaired, an impairment loss is recorded for the amount by which the carrying value of the asset group exceeds its fair value. The fair value is determined using the present value of estimated net cash flows. This approach uses significant estimates and assumptions, which are inherently uncertain and unpredictable and would not reflect unanticipated events and circumstances that may occur.

## 3) 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 long-term rates of return on plan assets, retirement rate, and mortality rate. Among those assumptions, discount rates and expected long-term rates of return on plan assets are deemed to be significant. The discount rate is determined based upon a hypothetical bond portfolio with maturity dates and amounts that match the timing and amount of the expected future benefit payments. The hypothetical bond portfolio is comprised of high-quality fixed-income investments available at the measurement date. The expected long-term rates 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.

In preparing the financial statements, the Company utilized the discount rates for calculating the benefit obligation of 2.2% at March 31, 2012, and 2.6% at March 31, 2011. The Company determined expected long-term rates of return on plan assets of 2.5% for each of the years ended March 31, 2012, 2011 and 2010. As a result of measurements of benefit obligations and fair value of plan assets, the actuarial losses unrealized in net periodic benefit cost were ¥39.8 billion at March 31, 2012, an increase from ¥28.3 billion at March 31, 2011. This increase arose mainly due to the decline in the discount rates. Actuarial losses realized in net periodic benefit cost were ¥0.7 billion, ¥0.5 billion and ¥9.6 billion for the years ended March 31, 2012, 2011 and 2010, respectively, and are estimated to be ¥6.1 billion for the year ending March 31, 2013. The expected long-term rates of return on plan assets for the year ending March 31, 2013 is estimated as 2.5%, the same rate as for the year ended March 31, 2012.

The Company recognizes any 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 15 years). 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.

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 losses. Each 50 basis point increase or decrease in the discount rate will result in an estimated increase or decrease of ¥7.9 billion on the benefit obligations at March 31, 2012.

A lower expected long-term rate of return on plan assets would decrease the expected return amount in the following year. Each 50 basis point increase or decrease in the expected long-term rates of return on plan assets will result in an estimated increase or decrease of ¥0.6 billion on the periodic benefit cost for the year ending March 31, 2013.

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4) 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 acknowledges that certain positions are likely to be challenged and may not be fully sustained upon review by tax authorities. The Company applies 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.

5) 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.

6) Loss Contingencies

The Company is currently facing asbestos-related issues, and is a party to certain 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. The Company considers the progress of legal proceedings, recent similar court cases, and other relevant factors in order to assess whether the conditions of loss contingencies are met.

Each quarter, representatives from the accounting and legal departments meet to discuss and assess outstanding claims. The legal department consults outside legal counsel about the progress and potential ultimate outcome of the cases. The Company has continued its efforts to develop the amount or narrow the range of loss by evaluating the effects of key assumptions such as the probability of losing lawsuits, the total amount of ultimate compensation when lost, and the allocation rate among defendants, which includes both the government and asbestos-related companies. With all of these efforts, the Company believes that it has an appropriate process in place to estimate any loss or range of loss, or to determine that such an estimate cannot be made.

Among the above lawsuits, one district court ruled in favor of Japanese Government and 44 asbestos-related companies including the Company, but the plaintiff appealed the court ruling right after the judgment. The progress of the above case has not provided any developments that would facilitate a better estimation for any of the above assumptions. The Company expects that the degree of uncertainty related to each of the assumptions will decrease as the lawsuits significantly progress, but is currently unable to predict when any of them will be resolved. Finally, because similar asbestos-related cases in Japan are still pending and have not been finally concluded, the Company is not able to use them as a reference in estimating the above assumptions. However, 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.

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### New Accounting Pronouncements

In December 2011, the Financial Accounting Standards Board ( FASB ) issued a new accounting standard related to the presentation of offsetting assets and liabilities in financial statements. The purpose of this issuance is to eliminate differences between U.S. GAAP and International Financial Reporting Standards ( IFRS ) in order to enhance the comparability of statements prepared on the basis of U.S. GAAP and IFRS. This standard requires entities to disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position. This standard is effective for annual reporting periods beginning on and after January 1, 2013 and interim periods within those annual periods, and should be applied retrospectively for all comparative periods presented. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

In December 2011, the FASB issued amendments to defer the effective date pertaining to reclassification adjustments out of accumulated other comprehensive income in a new accounting standard issued in June 2011, which originally defined its effective date for annual periods beginning after December 15, 2011, and interim periods within those years. This deferral only applied to the presentation of reclassification adjustments. The amendments were effective for fiscal years, and interim periods within those years, beginning after December 15, 2011 and was adopted by the Company on April 1, 2011. The adoption of this amendment did not have a material impact on the Company's consolidated financial statements.

### B. 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 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.

The Company utilizes group financing in Japan and North America. With group financing, the Company centralizes and pursues the efficiency of cash management in each region, and the excess or shortage of cash at most of its subsidiaries and affiliated companies in Japan and its subsidiaries in North America 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 retail financing programs to facilitate sales of farm equipment in Japan, North America, Asia outside Japan and Other Areas and believes an increase of debt related to sales financing programs is a result of business expansion.

At the end of March 2012, the amount of interest-bearing debt increased ¥7.3 billion from the prior year, to ¥361.2 billion mainly due to the acquisition of a business during the period. Of the ¥361.2 billion, ¥300.0 billion was borrowings from financial institutions, and the remaining ¥61.2 billion consisted of corporate bonds.

The currencies in which the Company borrows are mainly Japanese yen, U.S. dollars and Thai Baht. There are no restrictions regarding the manner in which the funds may be used. The amount of short-term borrowings at March 31, 2012 was ¥69.6 billion and the weighted average interest rate was 1.0% (U.S. dollar 0.6%, Thai Baht 3.2%, others 0.6%). The amount of long-term debt (excluding capital lease obligations) at March 31, 2012 was ¥288.3 billion and the weighted average interest rate, which included both fixed and floating rates was 1.7% (Japanese yen 1.1%, U.S. dollar 1.6%, others 4.1%). As for corporate bonds, the outstanding issue was ¥61.2 billion at the end of March 2012.

Regarding the lines of credit, the Company has established committed lines of credit totaling ¥20.0 billion with certain Japanese banks. However, the Company currently does not use these lines.

There are restrictive covenants related to the borrowings including negative pledges, rating trigger and minimum net worth. 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 maintain total equity of more than ¥477.0 billion on the consolidated financial statement and more than ¥303.1 billion on the separate financial statement of the parent company. The Company is in compliance with these restrictive covenants at March 31, 2012. With regard to the maturity profile of these borrowings, refer to Item 5.F Tabular Disclosure of Contractual Obligations on page 31.

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The Company plans its capital expenditures considering future business demand and cash flows. As of March 2012, the Company has planned to invest approximately ¥53.0 billion in the fiscal year ending March 31, 2013. The Company intends to fund its investment basically through cash provided by operating activities, and to also utilize available borrowings from financial institutions. The Company's current commitments for capital expenditures are not material.



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The Company has underfunded pension liabilities of ¥41.9 billion in the defined benefit pension/severance indemnity plan, which relate primarily to the parent company, as of the end of March 2012. If the funded status of the plan declines below the required level, the Company would need to make an additional contribution as a special contribution. The Company's contributions to pension plans for the year ending March 31, 2013 are expected to be ¥14.3 billion and the special contribution is included in it.

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 decreased ¥12.0 billion from the prior year-end to ¥330.0 billion. Accordingly, the ratio of current assets to current liabilities decreased 17.0 percentage points to 161.6%, due to an increase in current liabilities resulting from increases in trade accounts payable and current portion of long-term debt. 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 its 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.

## Cash Flows

Net cash provided by operating activities during the year was ¥79.9 billion, representing a decrease of ¥2.0 billion in cash inflow compared with the prior year. Although net income increased by 4.9 billion compared to the prior year, net cash provided by operating activities was at almost the same level as in the prior year. This is because note and accounts receivable increased, mainly due to an increase in revenues and temporary shift of the month-end settlement date from March 31 to April 2.

Net cash used in investing activities was ¥69.9 billion, an increase of ¥26.3 billion in cash outflow compared with the prior year. This increase in cash outflow was mainly due to the acquisition of businesses, while proceeds from sales of property, plant and equipment increased.

Net cash used in financing activities was ¥13.3 billion, representing a decrease of ¥28.5 billion in cash outflow compared with the prior year. This decrease was mainly due to an increase of proceeds from the issuance of long-term debt, while purchases of treasury stock increased.

Including the effect of exchange rate fluctuations, cash and cash equivalents at the end of March 31, 2012 were ¥100.6 billion, a decrease of ¥4.7 billion from the prior fiscal year-end.

Over the past three years, the amount of net cash provided by operating activities was ¥280.9 billion in aggregate. Additionally, during the same period, proceeds from sales of property, plant, and equipment and proceeds from sales of investments were ¥30.7 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 ¥80.8 billion, purchases of fixed assets of ¥80.9 billion, acquisition of business (net of cash acquired) of ¥17.2 billion, dividend payments to shareholders of ¥50.8 billion and purchase of treasury stock for ¥10.3 billion. Net decrease in interest-bearing debt was ¥20.4 billion in aggregate. Cash and cash equivalents increased an aggregate of ¥31.1 billion during the same period.

## Assets, Liabilities, and Equity

### 1) Assets

Total assets at the end of March 2012 amounted to ¥1,487.7 billion, an increase of ¥130.8 billion (9.6%) from the prior fiscal year-end. Current assets were ¥866.0 billion, an increase of ¥88.8 billion from the prior fiscal year-end mainly due to an increase of notes and accounts receivable, short-term finance receivables and inventories corresponding to the revenue increase.

An increase in assets related to the acquisition of a business amounted to ¥55.4 billion. This amount comprises ¥28.1 billion in current assets, ¥0.6 billion in investments and long-term finance receivables, ¥8.2 billion in property, plant, and equipment, and other assets in ¥18.5 billion, which includes ¥4.0 billion of goodwill. On the other hand, cash and cash equivalents decreased ¥18.1 billion corresponding to the acquisition of a business.



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## 2) Liabilities

Total liabilities amounted to ¥780.5 billion, an increase of ¥105.0 billion (15.5%) from the end of the prior year. Current liabilities were ¥536.0 billion, a substantial increase of ¥100.9 billion (23.2%) from the prior year-end due to an increase in the current portion of long-term liabilities and an increase in liabilities related to the acquisition of a business as well as increases in accounts payable, which was mainly affected by the revenue increase and the shift in settlement date from March 31 to April 2, and income taxes payable due to the revenue increase.

Liabilities related to acquisition of business amounted to ¥32.3 billion, which comprises ¥22.9 billion of current liabilities and ¥9.4 billion of long-term liabilities.

## 3) Equity

Total equity amounted to ¥707.2 billion, an increase of ¥25.9 billion (3.8%) from the end of the prior year. Equity increased because recorded net income offset increases in treasury stock and accumulated other comprehensive loss. The shareholders' equity ratio\* was 43.9%, 2.9 percentage points lower than at the prior fiscal year-end. The debt-to-equity ratio\*\* was 55.3%, 0.5 percentage points lower than at the prior year-end.

Related to the acquisition of a business, noncontrolling interests increased ¥5.0 billion.

\* Shareholders' equity ratio = shareholders' equity / total assets

\*\* Debt-to-equity ratio = interest-bearing debt / shareholders' equity

**Derivatives**

To offset currency and interest rate fluctuation risks, the Company uses various types of derivatives, including foreign exchange forward contracts, foreign currency option contracts, cross-currency swap contracts, cross-currency interest rate swap contracts, and interest rate swap contracts. 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, refer to Note 15 "Derivative Financial Instruments" on page F-35.

**C. Research and Development, Patents and Licenses, etc****Research and Development**

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

|                                          | Millions of yen |          |          |
|------------------------------------------|-----------------|----------|----------|
|                                          | 2012            | 2011     | 2010     |
| R&D Expenses                             | ¥ 27,856        | ¥ 25,042 | ¥ 25,241 |
| As a percentage of consolidated revenues | 2.8%            | 2.7%     | 2.7%     |

The R&D activities are conducted principally in R&D departments in each business division and subsidiary. In its business divisions and subsidiaries, there are 28 R&D departments. Each department promotes the R&D activities fortifying each business.

The total R&D expenses of the four reporting segments, which are Farm & Industrial Machinery, Water & Environment Systems, Social Infrastructure, and Other segment, were ¥21.6 billion, ¥3.9 billion, ¥1.2 billion, and ¥1.1 billion, respectively.

**Patents and Licenses**

The Company does not rely on any specific individual licenses or patents. As of March 31, 2012, the Company held 6,578 Japanese patents and 2,769 foreign patents and utility model registrations. A utility model registration is a right granted under Japanese law and in certain other countries to inventions of lesser originality than those which qualify for patents. Although patent rights are important to the Company, the

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Company does not consider that the expiration of any single patent or group of related patents would materially affect Kubota's business. Kubota grants licenses to others to use its technology including its patents, and obtains licenses under patents from third parties for technological assistance on a royalty basis. In fiscal 2012, royalty income and expenses were ¥920 million and ¥86 million, respectively, under such licensing arrangements.

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### D. Trend Information

#### Outlook for the Next Fiscal Year

The Company forecasts consolidated revenues for the year ending March 31, 2013 will increase compared with the current year. Domestic revenues are forecast to increase due to increases in revenues in all reporting segments. Overseas revenues are forecast to increase substantially due to higher revenues in Farm & Industrial Machinery. Among revenues in this segment, revenues in Asia outside Japan are expected to increase sharply and revenues in North America are also expected to increase due to demand increase. Revenues in Europe are expected to increase mainly due to the addition of revenues from the acquired business.

The Company forecasts operating income will slightly decrease from the current year. Although operating income is forecast to increase because of the rise in revenues, higher pension costs affected by increased actuarial losses resulted from a change in the discount rate, a decrease in gain on sales of property, plant and equipment and an increase of amortization related to the acquired business are forecast to offset this increase in revenues.

However, the Company expects income before income taxes and equity in net income of affiliated companies and net income attributable to Kubota Corporation for the next fiscal year to increase due to improvement in other income (expenses).

#### 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, produced asbestos-related products. The Company had other plants which also produced asbestos-related products but completely ceased such production by 2001. 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 Responsibilities (CSR) as a company that had once manufactured asbestos-related products 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 program in place of the consolation payment program and make additional payment to the residents to whom consolation payment were eligible to be paid or payable.

Since the Company established its internal policies and procedures of relief payment program, the Company has received claims for relief payments from 253 residents and made payments to 232 of those residents after carefully reviewing those claims as of March 31, 2012.

With regard to the procedures for filing claims with 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.

For residents, the Company's significant criteria for determination of payments are whether they are designated as patients for asbestos-related diseases under the Law for the Relief of Patients Suffering from Asbestos-Related Diseases (the New Asbestos Law), whether they do not have working experience related to handling and/or manufacturing asbestos-related products and how close they lived to our plant.

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 pays compensation which is not required by law. The compensation from the Company is paid to eligible employees upon designation as patients for asbestos-related diseases under the Workers' Accident Compensation Insurance (the Insurance). In case an employee dies during medical treatment and is designated as a patient for asbestos-related diseases under the Insurance for bereaved families, the compensation for asbestos-related disease for the bereaved family is also paid.

The cumulative number of current and former employees who are eligible for compensation that is not required by law but provided in accordance with the Company's internal policies is 170 as of the end of March 2010, 176 as of the end of March 2011, and 181 as of the end of March 2012.



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In August 2006, the Company announced that the Company would provide a donation of ¥1.2 billion to Hyogo College of Medicine made over 10 years and a ¥0.5 billion donation to Osaka Medical Center for Cancer and Cardiovascular Diseases over five years. The Company donated ¥0.1 billion as a contribution for the year ended March 31, 2012.

As a result of the asbestos issue becoming an object of public concern, the Japanese government established the Law for the Relief of Patients Suffering from Asbestos-Related Diseases (the New Asbestos Law) in March 2006. The New Asbestos 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 in accordance with the Insurance. The relief aid payments are contributed by the national government, municipal governments, and business entities which operated a business closely related to asbestos and have been required to contribute commencing from the year ended March 31, 2008.

**Contingencies Regarding Asbestos-Related Matters**

The Company expenses payments for the health hazard of asbestos to certain residents who lived near the Company's plant and current and former employees when the Company determines that a payment is warranted. Though the Company is not certain if the claimants who are currently under review will meet the Company's specified criteria at the time of filing claims with the Company, the Company also accrues the possible payments calculated by using the historical designation rate of the Company's payment program since the payments to those claimants are considered to be probable. In addition, a special contribution in accordance with the New Asbestos Law is expensed. The amount of these expenses during the year ended March 31, 2012 was approximately ¥1,131 million.

Of the ¥1,131 million, ¥789 million represented expenses relating to the payment for the residents who lived near the Company's plant under the relief payment program established in April 2006. The Company believes it is not possible to reasonably estimate the number of residents and current and former employees that will apply for payments.

The following is roll forward information for the status of claimants who have filed with the Company for payments for the past three years:

- (i) the number of claimants that are currently under review by the Company's specified criteria as of the beginning of the year
- (ii) the number of new claimants added during the year
- (iii) the number of claimants decided to be paid during the year
- (iv) the number of claimants denied such criteria during the year
- (v) the number of claimants under review at the end of the period

Current and former employees

|       | 2012 | 2011 | 2010 |
|-------|------|------|------|
| (i)   |      |      |      |
| (ii)  | 5    | 6    | 8    |
| (iii) | 5    | 6    | 8    |
| (iv)  |      |      |      |
| (v)   |      |      |      |

Residents

|       | 2012 | 2011 | 2010 |
|-------|------|------|------|
| (i)   | 7    | 7    |      |
| (ii)  | 16   | 21   | 18   |
| (iii) | 18   | 21   | 11   |
| (iv)  |      |      |      |
| (v)   | 5    | 7    | 7    |



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Note that the residents who have filed claims for payments with the Company include both those who have been already designated as patients for asbestos-related diseases under the New Asbestos Law, and those who are still under review (the applicants). There are no employee claimants who are still under review but have not been designated as patients for asbestos-related diseases upon their filing with the Company.

The roll forward information above does not include all claimants who are currently under review or who were designated as patients under the Insurance or the New Asbestos Law. It is because the correlation between the number of \*applicants (or those designated) and the number of \*\*claimants who have filed/will file with the Company is low and it is difficult to reasonably estimate the probable loss or range of loss from such information.

\*applicants: those who apply to the government and such related organizations for designation as patients for asbestos-related diseases under the Workers Accident Compensation Insurance (the Insurance) or under the Law for Relief of Patient Suffering from Asbestos-Related Diseases (the New Asbestos Law).

\*\*claimants: those who file claims with the Company under its consolation payment, relief payment and compensation payment program.

As a result of this fact, the estimate of losses for future possible payments does not include the applicants currently under review or potential future applicants.

The following is a quantified table for the resident claimants who are under review with the Company, whether they are still under review or have already been designated as patients for asbestos-related disease under the New Asbestos Law. Those are included in Residents (v) of the above roll forward information:

- (i) the number of residents claimants who have been designated as patients for asbestos-related disease under the New Asbestos Law
- (ii) the number of residents claimants who are still under review under the New Asbestos Law

|      | 2012 | 2011 | 2010 |
|------|------|------|------|
| (i)  | 5    | 6    | 2    |
| (ii) |      | 1    | 5    |

The Company is currently a defendant in litigation relating to asbestos. Section 6) Loss Contingencies of accounting estimate in item 5 A. on page 24 and Asbestos-related lawsuits in Item 8 on page 43 describe details of the litigation and contingencies.

**Subsequent Events**

On May 10, 2012, the Company's Board of Directors resolved to pay a cash dividend to shareholders of record on March 31, 2012 of ¥8 per common share (¥40 per five common shares) or a total of ¥10,051 million.

**E. Off-balance Sheet Arrangements**

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, 2012 was ¥11.0 billion.

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The following summarizes contractual obligations at March 31, 2012.

|                                        | Millions of yen  |                        |                  |                 |                      |
|----------------------------------------|------------------|------------------------|------------------|-----------------|----------------------|
|                                        | Total            | Payments due by period |                  |                 | More than<br>5 years |
| Less than<br>1 year                    |                  | 1-3 years              | 3-5 years        |                 |                      |
| Contractual obligations:               |                  |                        |                  |                 |                      |
| Short-term borrowings                  | ¥ 69,623         | ¥ 69,623               | ¥                | ¥               | ¥                    |
| Capital lease obligations              | 3,340            | 1,178                  | 1,184            | 722             | 256                  |
| Long-term debt                         | 288,272          | 106,032                | 134,557          | 47,151          | 532                  |
| Deposits from customers                | 2,465            | 2,465                  |                  |                 |                      |
| Operating lease obligations            | 5,224            | 1,593                  | 2,155            | 1,015           | 461                  |
| Commitments for capital expenditures   | 2,861            | 2,861                  |                  |                 |                      |
| Contributions to defined pension plans | 14,300           | 14,300                 |                  |                 |                      |
| Interest payments                      | 12,311           | 6,230                  | 4,946            | 1,001           | 134                  |
| <b>Total</b>                           | <b>¥ 398,396</b> | <b>¥ 204,282</b>       | <b>¥ 142,842</b> | <b>¥ 49,889</b> | <b>¥ 1,383</b>       |

Long-term debt represents unsecured bonds and loans principally from banks and insurance companies. Payments due by periods for interest payments are calculated using the contract rate of each borrowing or debt and derivative financial instruments at March 31, 2012.

The Company expects benefit payments to the participants of the defined benefit pension plans and the severance indemnity plans as disclosed in Note 10 RETIREMENT AND PENSION PLANS Expected Cash Flows on page F-28 of this annual report. While the Company will contribute to its defined benefit pension plans in the future periods to meet future benefit payments, its contributions to defined pension plans beyond the next fiscal year are not included in the table because they are not currently determinable.

The Company recorded liabilities for unrecognized tax benefits of ¥1,737 million at March 31, 2012, which are not included in the above tables because it is unable to make reasonable estimates of the periods of settlement.

**G. Safe Harbor**

Projected results of operations and other future forecasts contained in this annual report are the estimates of the Company based on information available to the Company as of this published date. Therefore, those projections include certain potential risks and uncertainties. Accordingly, the users of this information are requested to note that the actual results could differ materially from those future projections. Major factors that could influence the ultimate outcome include the economic condition surrounding the Company, foreign exchange rates, agricultural policy in Japan, the trend of public investment and private capital expenditure in Japan, the price-competitive pressure in the market and the ability for the Company to manufacture or innovate products which will be accepted in the market. Finally the users of this information should note that the factors that could influence the ultimate outcome of the Company's activities are not limited to the above.

**Table of Contents****Item 6. Directors, Senior Management and Employees****A. Directors and Senior Management**

The following sets forth the information about the Company's Directors, Executive Officers and Corporate Auditors as of the date of filing of this annual report, together with their respective dates of birth and positions. The term of office of all Directors will expire at the conclusion of the ordinary general meeting of shareholders which will be held in 2013.

| <b>Name</b>                         | <b>Number of<br/>company shares<br/>owned as of</b> | <b>Current positions and brief occupational history<br/>(including responsibilities in other companies)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|-------------------------------------|-----------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>(Birthday)</b><br>Yasuo Masumoto | <b>June 22, 2012</b><br>58,000 Shares               | Representative Director, Chairman, President & CEO of Kubota Corporation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| (April 21, 1947)                    |                                                     | <p>January 2011: Representative Director, Chairman, President &amp; CEO of Kubota Corporation (to present)</p> <p>January 2009: Representative Director, President &amp; CEO of Kubota Corporation</p> <p>April 2008: Executive Vice President and Director of Kubota Corporation</p> <p>April 2007: In charge of Tokyo Head Office,</p> <p>General Manager of Water, Environment &amp; Infrastructure Consolidated Division,</p> <p>General Manager of Tokyo Head Office,</p> <p>General Manager of Production Control Headquarters in Water, Environment &amp; Infrastructure Consolidated Division,</p> <p>General Manager of Coordination Dept. in Water, Environment &amp; Infrastructure Consolidated Division</p> <p>April 2006: Executive Managing Director of Kubota Corporation</p> <p>April 2005: Deputy General Manager of Industrial &amp; Material Systems Consolidated Division</p> <p>January 2005: In charge of Quality Assurance &amp; Manufacturing Promotion Dept.</p> <p>June 2004: General Manager of Purchasing Dept. in Industrial &amp; Material Systems Consolidated Division</p> <p>April 2004: Managing Director of Kubota Corporation,</p> <p>In charge of Manufacturing Planning &amp; Promotion Dept.</p> <p>April 2003: General Manager of Production Control Headquarters in Industrial &amp; Material Systems Consolidated Division</p> <p>June 2002: Director of Kubota Corporation</p> <p>October 2001: General Manager of Farm Machinery Division</p> <p>April 1971: Joined Kubota Corporation</p> |
| Tetsuji Tomita                      | 34,000 Shares                                       | Representative Director and Executive Vice President of Kubota Corporation, In charge of Corporate Staff                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| (March 6, 1950)                     |                                                     | April 2012: In charge of Corporate Staff (to present)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |

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|               |                                                                                                               |
|---------------|---------------------------------------------------------------------------------------------------------------|
| April 2011:   | Representative Director and Executive Vice President of Kubota Corporation (to present)                       |
| April 2009:   | Representative Director and Senior Managing Executive Officer of Kubota Corporation                           |
| January 2009: | General Manager of Farm & Industrial Machinery Consolidated Division                                          |
| January 2009: | General Manager of International Operations Headquarters in Farm & Industrial Machinery Consolidated Division |
| April 2008:   | Managing Director of Kubota Corporation                                                                       |
| June 2005:    | Director of Kubota Corporation                                                                                |
| April 2004:   | President of Kubota Tractor Corporation                                                                       |
| April 1973:   | Joined Kubota Corporation                                                                                     |

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| <b>Name</b>                             | <b>Number of<br/>company shares<br/>owned as of</b> | <b>Current positions and brief occupational history<br/>(including responsibilities in other companies)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|-----------------------------------------|-----------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Satoru Sakamoto<br><br>(July 18, 1952)  | June 22, 2012<br>29,000 Shares                      | Director and Senior Managing Executive Officer of Kubota Corporation,<br><br>In charge of Farm & Industrial Machinery Domain,<br><br>General Manager of Business Development Headquarters<br>April 2012: In charge of Farm & Industrial Machinery Domain,<br>General Manager of Business<br><br>Development Headquarters (to present)<br>June 2011: In charge of Global IT Management Office<br>April 2011: Director and Senior Managing Executive Officer of Kubota Corporation (to<br>present)<br>October 2010: In charge of Planning & Control Headquarters<br>April 2009: Director and Managing Executive Officer of Kubota Corporation<br>April 2009: In charge of Corporate Planning & Control Dept. and Finance & Accounting<br>Dept.<br>June 2006: Director of Kubota Corporation<br>April 2006: General Manager of Air Condition Equipment Division and President of Kubota<br>Air Conditioner, Ltd.<br>April 1976: Joined Kubota Corporation                                                                                                                                                                                                                         |
| Masatoshi Kimata<br><br>(June 22, 1951) | 45,000 Shares                                       | Director and Senior Managing Executive Officer of Kubota Corporation<br><br>In charge of Water & Environment Domain, General Manager of Tokyo Head Office<br>June 2012: Director and Senior Managing Executive Officer of Kubota Corporation (to<br>present)<br>April 2012: In charge of Water & Environment Domain,<br><br>General Manager of Tokyo Head Office (to present)<br>August 2010: President of SIAM KUBOTA Corporation Co., Ltd.<br>July 2010: Senior Managing Executive Officer of Kubota Corporation<br>June 2009: Managing Executive Officer of Kubota Corporation<br>April 2009: Director and Managing Executive Officer of Kubota Corporation<br>April 2009: Deputy General Manager of Farm & Industrial Machinery Consolidated<br>Division, General Manager of Sales Headquarters in Farm & Industrial<br>Machinery Consolidated Division<br>April 2008: Managing Director of Kubota Corporation<br>April 2007: Deputy General Manager of Sales Headquarters in Farm & Industrial Machinery<br>Consolidated Division<br>June 2005: Director of Kubota Corporation<br>October 2001: General Manager of Tsukuba Plant<br>April 1977: Joined Kubota Corporation |

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| <b>Name</b>                         | <b>Number of<br/>company shares<br/>owned as of</b> | <b>Current positions and brief occupational history<br/>(including responsibilities in other companies)</b>                                                                                                                                                                 |
|-------------------------------------|-----------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>(Birthday)</b><br>Toshihiro Kubo | <b>June 22, 2012</b><br>21,000 Shares               | Director and Managing Executive Officer of Kubota Corporation,                                                                                                                                                                                                              |
| (April 5, 1953)                     |                                                     | General Manager of Human Resources & General Affairs Headquarters, General Manager of Head Office                                                                                                                                                                           |
|                                     |                                                     | April 2012: General Manager of Human Resources & General Affairs Headquarters (to present)                                                                                                                                                                                  |
|                                     |                                                     | June 2011: Director and Managing Executive Officer of Kubota Corporation (to present)                                                                                                                                                                                       |
|                                     |                                                     | April 2011: Managing Executive Officer of Kubota Corporation                                                                                                                                                                                                                |
|                                     |                                                     | June 2010: In charge of Secretary Dept. and Corporate Communications Dept.                                                                                                                                                                                                  |
|                                     |                                                     | April 2010: General Manager of Head Office (to present)                                                                                                                                                                                                                     |
|                                     |                                                     | April 2010: In charge of Personnel Dept., Secretary & Public Relations Dept., General Affairs Dept., and Tokyo Administration Dept.                                                                                                                                         |
|                                     |                                                     | June 2009: Executive Officer of Kubota Corporation                                                                                                                                                                                                                          |
|                                     |                                                     | April 2009: Deputy General Manager of Water & Environment Systems Consolidated Division, General Manager of Water & Environment Systems, Social Infrastructure Business Promotion Headquarters, Water & Environment Systems, Social Infrastructure Production Control Dept. |
|                                     |                                                     | April 2009: Director and Executive Officer of Kubota Corporation                                                                                                                                                                                                            |
|                                     |                                                     | June 2007: General Manager of Production Control Headquarter in Water, Environment & Infrastructure Consolidated Division and Coordination Dept. in Water, Environment & Infrastructure Consolidated Division                                                               |
|                                     |                                                     | June 2007: Director of Kubota Corporation                                                                                                                                                                                                                                   |
|                                     |                                                     | October 2005: General Manager of Planning Dept. in Ductile Iron Pipe Division                                                                                                                                                                                               |
|                                     |                                                     | April 1979: Joined Kubota Corporation                                                                                                                                                                                                                                       |
| Shigeru Kimura                      | 18,000 Shares                                       | Director and Managing Executive Officer of Kubota Corporation,                                                                                                                                                                                                              |
| (September 10, 1953)                |                                                     | General Manager of Planning & Control Headquarters                                                                                                                                                                                                                          |
|                                     |                                                     | June 2012: Director and Managing Executive Officer of Kubota Corporation (to present)                                                                                                                                                                                       |
|                                     |                                                     | April 2011: Managing Executive Officer of Kubota Corporation                                                                                                                                                                                                                |
|                                     |                                                     | October 2010: General Manager of Planning & Control Headquarters (to present)                                                                                                                                                                                               |
|                                     |                                                     | June 2009: Executive Officer of Kubota Corporation                                                                                                                                                                                                                          |
|                                     |                                                     | April 2009: Director and Executive Officer of Kubota Corporation                                                                                                                                                                                                            |
|                                     |                                                     | April 2009: In charge of Corporate Planning & Control Dept. (assistant)                                                                                                                                                                                                     |
|                                     |                                                     | June 2008: Director of Kubota Corporation                                                                                                                                                                                                                                   |
|                                     |                                                     | December 2002: General Manager of Finance & Accounting Dept.                                                                                                                                                                                                                |
|                                     |                                                     | April 1977: Joined Kubota Corporation                                                                                                                                                                                                                                       |
| Yuzuru Mizuno                       | 23,000 Shares                                       | Director of Kubota Corporation,                                                                                                                                                                                                                                             |
| (January 21, 1948)                  |                                                     | Executive Vice President of Matsushita Real Estate Co., Ltd.                                                                                                                                                                                                                |
|                                     |                                                     | June 2009: Director of Kubota Corporation (to present)                                                                                                                                                                                                                      |
|                                     |                                                     | July 2008: Executive Vice President of Matsushita Real Estate Co., Ltd. (to present)                                                                                                                                                                                        |
|                                     |                                                     | June 2005: Corporate Auditor of Kubota Corporation                                                                                                                                                                                                                          |
|                                     |                                                     | July 2004: Executive Director of Matsushita Electric Industrial Co., Ltd., In charge of Corporate Finance & Investor Relations                                                                                                                                              |
|                                     |                                                     | February 2004: Director (non full-time) of Nippon Otis Elevator Company                                                                                                                                                                                                     |
|                                     |                                                     | October 2000: President (non full-time) of Panasonic Finance (Japan) Co., Ltd.                                                                                                                                                                                              |

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October 2000: General Manager of Corporate Finance Dept. of Matsushita Electric Industrial Co., Ltd.  
June 1998: Managing Director of Matsushita Industrial Corporation Sdn. Bhd.  
December 1995: General Manager of Accounting Dept. in Compressor Division of Matsushita Electric Industrial Co., Ltd.  
April 1970: Joined Matsushita Electric Industrial Co., Ltd.

(subsequently, Panasonic Corporation)

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| <b>Name</b>                                               | <b>Number of<br/>company shares<br/>owned as of</b> | <b>Current positions and brief occupational history<br/>(including responsibilities in other companies)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|-----------------------------------------------------------|-----------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>(Birthday)</b><br>Junichi Sato<br><br>(March 26, 1950) | <b>June 22, 2012</b><br>4,000 Shares                | Director of Kubota Corporation,<br><br>Senior Executive Officer Daikin Industries, Ltd.,<br><br>In charge of Global Air-Conditioning Business (excluding Japan)<br>June 2011: Director of Kubota Corporation (to present)<br>June 2007: In charge of Global Sales Strategies for Commercial and Industrial Refrigeration (excluding Japan)<br>June 2007: In charge of Global Air-Conditioning Business (excluding Japan) (to present)<br>May 2005: General Manager Global Operations Division<br>June 2004: Senior Executive Officer Daikin Industries, Ltd. (to present)<br>June 2004: In charge of Global Operations Division, Air-Conditioning Operations in the Europe/Middle East/Africa Region and President & Managing Director Daikin Europe N.V.<br>June 2003: Senior Associate Officer Daikin Industries, Ltd.<br>June 2000: In charge of Global Operations Division, Air-Conditioning Operations in the Europe Region and President & Managing Director Daikin Europe N.V.<br>June 2000: Associate Officer Daikin Industries, Ltd.<br>July 1998: President & Managing Director Daikin Europe N.V.<br>December 1973: Joined Daikin Industries, Ltd.                                                                                                                                                  |
| Hirokazu Nara<br>(October 2, 1948)                        | 34,000 Shares                                       | Corporate Auditor of Kubota Corporation<br><br>June 2011: Corporate Auditor of Kubota Corporation (to present)<br>April 2011: Director of Kubota Corporation<br>October 2010: General Manager of Tokyo Head Office<br>April 2009: General Manager of Water & Environment Systems Consolidated Division<br>April 2009: Representative Director and Senior Managing Executive Officer of Kubota Corporation<br>April 2007: Managing Director of Kubota Corporation<br>April 2007: In charge of Corporate Staff Section (assistant)<br>October 2005: In charge of Corporate Planning & Control Dept.<br>June 2005: Director of Kubota Corporation,<br>June 2005: In charge of Air Condition Equipment Division, Septic Tanks Division, Housing & Building Materials Business Coordination Dept., PV Business Planning & Promotion Dept., Finance & Accounting Dept. General Manager of Corporate Planning & Control Dept.<br>April 2005: In charge of Air Condition Equipment Division (assistant), Septic Tanks Division (assistant), Housing & Building Materials Business Coordination Dept. (assistant), PV Business Planning & Promotion Dept. (assistant), Finance & Accounting Dept. (assistant) and<br><br>General Manager of Corporate Planning & Control Dept.<br>April 1971: Joined Kubota Corporation |



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| <b>Name</b>                                             | <b>Number of<br/>company shares<br/>owned as of</b> | <b>Current positions and brief occupational history<br/>(including responsibilities in other companies)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|---------------------------------------------------------|-----------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>(Birthday)</b><br>Hiroshi Shiaku<br>(March 10, 1951) | <b>June 22, 2012</b><br>10,000 Shares               | Corporate Auditor of Kubota Corporation<br><br>June 2011: Corporate Auditor of Kubota Corporation (to present)<br>June 2008: Corporate Auditor of Kubota Matsushita Exterior Works Co., Ltd. (subsequently, KMEW Co., Ltd.)<br>June 2003: General Manager of Compliance Auditing Dept.<br>April 1973: Joined Kubota Corporation                                                                                                                                                                                                                                                                                                                                                                          |
| Masao Morishita<br>(January 22, 1949)                   | 16,000 Shares                                       | Corporate Auditor of Kubota Corporation<br><br>June 2009: Corporate Auditor of Kubota Corporation (to present)<br>April 2006: Director and CFO of Matsushita Toshiba Picture Display Co., Ltd., In charge of Administration Dept.<br>April 2003: Director and General Manager of Administrative Headquarter of Matsushita Toshiba Picture Display Co., Ltd.<br>April 1998: General Manager of Accounting Dept. and Business Planning Dept. in Compressor Division of Matsushita Electric Industrial Co., Ltd.<br>April 1994: President and Director of Matsushita Compressor Corporation of America<br>April 1971: Joined Matsushita Electric Industrial Co., Ltd. (subsequently, Panasonic Corporation) |
| Akira Negishi<br>(March 23, 1943)                       | 4,000 Shares                                        | Corporate Auditor of Kubota Corporation<br><br>June 2011: Corporate Auditor of Kubota Corporation (to present)<br>April 2006: Registered as an attorney with Osaka Bar Association (to present)<br>April 2006: Professor of Konan Law School (to present)<br>April 2006: Honorary Professor of Kobe University (to present)<br>March 2006: Retirement from Kobe University<br>April 1998: Vice President of Kobe University<br>April 1996: Head of faculty of law in Kobe University<br>April 1978: Professor of faculty of law in Kobe University<br>April 1969: Assistant professor of faculty of law in Kobe University<br>April 1965: 19th Legal Apprenticeship                                      |
| Ryoji Sato<br>(December 7, 1946)                        | 1,000 Shares                                        | Corporate Auditor of Kubota Corporation<br><br>April 2012: Professor of Graduate School of Accountancy in Waseda University (to present)<br>June 2011: Corporate Auditor of Kubota Corporation (to present)<br>May 2011: Retired from Senior Advisor of Deloitte Touche Tohmatsu LLC<br>November 2010: Senior Advisor, Deloitte Touche Tohmatsu LLC<br>June 2007: Executive Member, Deloitte Touche Tohmatsu (currently, Deloitte Touche Tohmatsu Limited)<br>June 2007: Chief Executive Officer of Deloitte Touche Tohmatsu<br><br>(currently, Deloitte Touche Tohmatsu LLC)                                                                                                                            |

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June 2004: Representative Partner and Managing Partner, Tokyo

June 2001: Office of Deloitte Touche Tohmatsu (currently, Deloitte Touche Tohmatsu LLC)  
Managing Partner, Tokyo Office of Tohmatsu & Co. (currently, Deloitte Touche Tohmatsu LLC)

June 1997: Board member of Tohmatsu & Co.

April 1975: (currently, Deloitte Touche Tohmatsu LLC)  
Registered as a Certified Public Accountant with the Japanese Institute of Certified Public Accountants (to present)

October 1971: Joined Tohmatsu Awoki & Co.

(currently, Deloitte Touche Tohmatsu LLC)

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Yuzuru Mizuno and Junichi Sato are outside directors as stipulated in the Corporate Law. Masao Morishita, Akira Negishi and Ryoji Sato are outside corporate auditors as stipulated in the Corporate Law.

The Company notified the Japanese stock exchanges of [all of its five outside] directors and outside corporate auditors as independent directors / corporate auditors pursuant to the regulations of the Japanese stock exchanges. The definition of the independent director / corporate auditor is different from that of the independent directors under the corporate governance standards of the New York Stock Exchange or under Rule 10A-3 under the U.S. Securities Exchange Act of 1934, as amended.

Among Directors or Corporate Auditors of Kubota Corporation, there is no family relationship. No Directors or Corporate Auditors, except Yuzuru Mizuno, Junichi Sato, Akira Negishi and Ryoji Sato have business activities outside the Company. Two Directors, Yuzuru Mizuno and Junichi Sato, serve as a director or an executive officer of other companies as above mentioned

There is not any arrangement or understanding with major shareholders, customers, suppliers or others pursuant to which any person named above was selected as a Director or a Corporate Auditor.

The Company is not dependent on specific Directors, researchers, or any other entity for its management.

The Company, by a resolution at the meeting of the Board of Directors held on February 10, 2009, introduced the Executive Officer System. The following sets for the information about the Executive Officers excluding persons who also hold the post of Directors as of the date of filing of this annual report, together with their respective positions and responsibilities. Please refer to Item 6C Board Practices for details of the Executive Officer System

| <b>Title</b>                      | <b>Name</b>        | <b>Responsibilities and important concurrent offices</b>                                                                         |
|-----------------------------------|--------------------|----------------------------------------------------------------------------------------------------------------------------------|
| Senior Managing Executive Officer | Takeshi Torigoe    | General Manager of Materials Division,<br><br>General Manager of Electronic Equipped Machinery Division                          |
| Senior Managing Executive Officer | Nobuyuki Toshikuni | General Manager of Research & Development Headquarters,<br><br>General Manager of Farm & Industrial Machinery R&D Headquarters   |
| Managing Executive Officer        | Katsuyuki Iwana    | General Manager of Machinery Procurement Headquarters                                                                            |
| Managing Executive Officer        | Kenshiro Ogawa     | General Manager of Quality Assurance & Manufacturing Headquarters                                                                |
| Managing Executive Officer        | Tetsu Fukui        | General Manager of Water Engineering & Solution Division,<br><br>General Manager of Water & Environment R&D                      |
| Managing Executive Officer        | Satoshi Iida       | General Manager of Farm & Utility Machinery Division,<br><br>General Manager of Farm & Utility Machinery International Operation |
| Managing Executive Officer        | Yujiro Kimura      | General Manager of Pipe System Division                                                                                          |
| Executive Officer                 | Masakazu Tanaka    | Deputy General Manager of Farm & Industrial Machinery R&D Headquarters                                                           |
| Executive Officer                 | Taichi Itoh        | Deputy General Manager of Human Resources & General Affairs Headquarters                                                         |
| Executive Officer                 | Shinji Sasaki      | General Manager of Engine Division                                                                                               |
| Executive Officer                 | Hiroshi Matsuki    | Deputy General Manager of Human Resources & General Affairs Headquarters                                                         |
| Executive Officer                 | Yuichi Kitao       | President of Kubota Tractor Corporation                                                                                          |
| Executive Officer                 | Kunio Suwa         | General Manager of CSR Planning & Coordination Headquarters                                                                      |

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Executive Officer

Toshihiko Kurosawa Deputy General Manager of Business Development Headquarters,  
General Manager of International Business Promotion Dept.

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| <b>Title</b>      | <b>Name</b>      | <b>Responsibilities and important concurrent offices</b>                                                                                   |
|-------------------|------------------|--------------------------------------------------------------------------------------------------------------------------------------------|
| Executive Officer | Hiroshi Kawakami | President of SIAM KUBOTA Corporation Co., Ltd.                                                                                             |
| Executive Officer | Satoshi Machida  | General Manager of Farm & Utility Machinery Engineering Headquarters                                                                       |
| Executive Officer | Masaharu Tabata  | Deputy General Manager of Quality Assurance & Manufacturing Headquarters                                                                   |
| Executive Officer | Yoshiyuki Fujita | General Manager of Global Management Promotion Dept.                                                                                       |
| Executive Officer | Kaoru Hamada     | President of Kubota Metal Corporation                                                                                                      |
| Executive Officer | Takashi Uei      | President of Kubota China Holdings Co., Ltd.,<br>President of Kubota Environmental Engineering (SHANGHAI) Co., Ltd.                        |
| Executive Officer | Hironobu Kubota  | President of Kubota Manufacturing of America Corporation                                                                                   |
| Executive Officer | Junji Ogawa      | General Manager of Water & Environmental Planning & Control Dept.                                                                          |
| Executive Officer | Yasuo Nakata     | General Manager of Construction Machinery Division, General Manager of Planning & Sales Promotion Dept. in Construction Machinery Division |
| Executive Officer | Masato Yoshikawa | General Manager of Corporate Planning & Control Dept.                                                                                      |

**B. Compensation**

The following table sets forth the aggregate remunerations, including bonuses and other financial benefits given in consideration of the performance of duties (collectively, the remunerations), paid by the Company in fiscal 2012 to all Directors and Corporate Auditors of the Company:

| <b>Title</b>                                            | <b>Number</b> | <b>Total</b> | <b>Millions of yen<br/>Remuneration</b> | <b>Bonuses</b> |
|---------------------------------------------------------|---------------|--------------|-----------------------------------------|----------------|
| Director (excluding Outside Director)                   | 9             | 434          | 367                                     | 96             |
| Corporate Auditor (excluding Outside Corporate Auditor) | 4             | 62           | 62                                      |                |
| Outside Director and Outside Corporate Auditor          | 8             | 71           | 71                                      |                |

Notes:

- The above remunerations for Directors of Kubota Corporation do not include the salary for employees' portion of certain Directors. The salary for employees' portion of certain Directors is not material.
- The remunerations for Directors are determined at the meeting of the Board of Directors based on the report of the Compensation Council within the range of the maximum aggregate amounts of remunerations approved at a general meeting of shareholders, in consideration of operating results, compensation levels of other companies, wage level of employees. The Compensation Council is composed of Representative Directors excluding the President and executive officers in charge of indirect departments. The report of the Compensation Council is submitted to the meeting of the Board of Directors after the approval of the President. The remunerations for Corporate Auditors are determined upon consultation among Corporate Auditors within the range of the maximum aggregate amounts of remunerations approved at a general meeting of shareholders, in consideration of the roles of the respective Corporate Auditors.

The following table sets forth the names, titles and amounts of remunerations paid by the Company to persons whose remunerations equaled or exceeded ¥100 million for the fiscal year ended March 31, 2012:

| <b>Title and Name</b> | <b>Total</b> | <b>Millions of yen<br/>Remuneration</b> | <b>Bonuses</b> |
|-----------------------|--------------|-----------------------------------------|----------------|
| Yasuo Masumoto        | 126          | 102                                     | 24             |



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### C. Board Practices

The Company's Articles of Incorporation as revised as of June 19, 2009 provide that the number of Directors of the Company shall be not more than 10 and that of the Corporate Auditors shall be not more than six.

Directors and Corporate Auditors shall be elected by the general meeting of shareholders. The Board of Directors has ultimate responsibility for administration of the Company's affairs. The Board of Directors may, by its resolution, appoint one Chairman of the Board of Directors, one Vice Chairman of the Board of Directors, one President-Director, and one or more Vice President-Directors, Executive Managing Directors and Managing Directors. The Board of Directors shall, by its resolution, appoint Representative Directors. A Japanese joint stock corporation with corporate auditors, such as the Company, is not obliged under the Corporate Law to have any outside directors on its board of directors. However, the Company began to have elected two Outside Directors at the ordinary general meeting of shareholders held in June 2009. An outside director is defined as a director of the company who does not engage or has not engaged in the execution of business of the company or its subsidiaries as a director of any of these corporations, and who does not serve or has not served as an executive officer, manager or in any other capacity as an employee of the company or its subsidiaries. The term of office of Directors shall, under the Articles of Incorporation of the Company, expire at the conclusion of the ordinary general meeting of shareholders with respect to the last closing of accounts within one year from their assumption of office, and in the case of Corporate Auditors, within four years from their assumption of office. However, they may serve any number of consecutive terms.

Under the Corporate Law, the Corporate Auditors of the Company are not required to be and are not certified public accountants. However, at least half of the Corporate Auditors shall be outside corporate auditors. An outside corporate auditor is defined as a corporate auditor who has not been a Director, accounting counselor, corporate executive officer, manager or any other employee of the Company or any of its subsidiaries at any time prior to his or her election as a Corporate Auditor.

The Corporate Auditors may not at the same time be Directors, accounting counselor, corporate executive officers, managers or any other employees of the Company or any of its subsidiaries. Each Corporate Auditor has the statutory duty to examine the Company's consolidated and non-consolidated financial statements and business report to be submitted by a Representative Director at the general meeting of shareholders and, based on such examination and a report of an Accounting Auditor referred to below, to respectively prepare his or her audit report. Each Corporate Auditor also has the statutory duty to supervise the administration by the Directors of the Company's affairs. They are required to attend in meetings of the Board of Directors and express opinions, if necessary, at such meetings, but they are not entitled to vote.

Pursuant to the regulations of the Japanese stock exchanges, the Company is required to have one or more independent director(s)/corporate auditor(s) which terms are defined under the relevant regulations of the Japanese stock exchanges as outside directors or outside corporate auditors (each of which terms is defined under the Corporate Law) who are unlikely to have any conflicts of interests with shareholders of the Company. The definition of independent director/corporate auditor is different from that of the independent directors under the corporate governance standards of the New York Stock Exchange or under Rule 10A-3 under the U.S. Securities Exchange Act of 1934, as amended. Each of Yuzuru Mizuno, Junichi Sato, Masao Morishita, Akira Negishi and Ryoji Sato satisfies the requirements for independent director/corporate auditor under the regulations of the Japanese stock exchanges, respectively.

In addition to Corporate Auditors, an independent certified public accountant or an audit corporation must be appointed at general meetings of shareholders as an Accounting Auditor of the Company. Such Accounting Auditor has the duties to examine the consolidated and non-consolidated financial statements proposed to be submitted by a Representative Director at general meetings of shareholders and to report their opinion thereon to certain Corporate Auditors designated by the Board of Corporate Auditors to receive such report (if such Corporate Auditors are not designated, all Corporate Auditors) and the Directors designated to receive such report (if such Directors are not designated, the Directors who prepared the financial statements).

The Corporate Auditors constitute the Board of Corporate Auditors. The Board of Corporate Auditors has a statutory duty to, based upon the reports prepared by respective Corporate Auditors, prepare and submit its audit report to the accounting auditor and certain Directors designated to receive such report (if such Directors are not designated, the Directors who prepared the financial statements and the business report). A Corporate Auditor may note his or her opinion in the audit report if his or her opinion expressed in his or her audit report is different from the opinion expressed in the audit report. The Board of Corporate Auditors shall elect one or more full-time Corporate Auditors from among its members. The Board of Corporate Auditors is empowered to establish audit principles, method of examination by Corporate Auditors of the Company's affairs and financial position and other matters concerning the performance of the Corporate Auditors' duties.

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Executive Officers are appointed by the Board of Directors in order that the Company may promptly respond to changes in the business environment and improve management efficiency by strengthening strategic decision-making function of the Board of Directors and the operational functions of business activities by President and other Executive Officers. The Executive Officer System is not a statutory system and is different from the statutory executive officer system which is adopted by a company with specified committees, where the company is required to have audit, nominating and compensation committees, each composed of a majority of Outside Directors.

Please refer to Item 6A Directors and Senior Management for details of all Directors and Executive Officers as the date of filing of this annual report.

There are no Directors service contracts with Kubota Corporation providing for benefits upon termination of service.

The rights of ADR holders, including their rights relating to corporate governance practices, are governed by the Amended and Restated Deposit Agreement (incorporated by reference to the Registration Statement on Form F-6 (File No. 333-91654) filed on June 26, 2002).

**D. Employees**

**Head Count at the End of the Year**

|                                          | 2012   | 2011   | 2010   |
|------------------------------------------|--------|--------|--------|
| <b><u>Head Count in Each Segment</u></b> | 29,185 | 25,409 | 24,778 |

|                             | 2012   | 2011   | 2010   |
|-----------------------------|--------|--------|--------|
| Farm & Industrial Machinery | 19,142 | 15,519 | 14,879 |
| Water & Environment Systems | 5,186  | 5,223  | 5,269  |
| Social Infrastructure       | 2,573  | 2,576  | 2,596  |
| Other                       | 1,604  | 1,476  | 1,439  |
| Corporate                   | 680    | 615    | 595    |
| Total                       | 29,185 | 25,409 | 24,778 |

The number of full-time employees of Kubota as of March 31, 2012 was 29,185. Most employees of the Company in Japan, other than managerial personnel, are union members. The unions belong to the Federation of all Kubota Labor Union, which is affiliated with the Japanese Trade Union Confederation. The Company believes it maintains a good relationship with the union.

Basic wage rates are reviewed annually in spring, normally in April. In addition, in accordance with Japanese custom, Kubota grants its full-time employees semiannual bonuses.

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. As is customary in Japan, the Company provides a wide range of fringe benefits to its employees.

**E. Share Ownership**

The following table shows the total number of shares of the Company's common stock beneficially owned by the Directors and Corporate Auditors as of June 22, 2012:

| Title of Class | Identity of persons or group     | Number of shares owned | Percentage of class |
|----------------|----------------------------------|------------------------|---------------------|
| Common stock   | Directors and Corporate Auditors | 297,000                | 0.02%               |



For individual shareholdings, see Item 6.A Directors and Senior Management.

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Employee Stock Ownership Association (Kubota Fund) owned 16,266,145 shares as of March 31, 2012, which amounted to 1.3 % of total shares issued.

The association consists of employees of the Company and some of its subsidiaries, and the members contribute a portion of their salaries to the association. The association purchases shares of Kubota's common stock on behalf of its members.

**Table of Contents****Item 7. Major Shareholders and Related Party Transactions****A. Major Shareholders**

As of March 31, 2012, two shareholders of record held 5% or more of the shares issued, respectively. The following table shows the information about the 10 largest shareholders:

| Name                                     | (As of March 31, 2012)             |      |
|------------------------------------------|------------------------------------|------|
|                                          | Number of<br>shares<br>(thousands) | (%)  |
| The Master Trust Bank of Japan, Ltd.     | 107,318                            | 8.54 |
| Nippon Life Insurance Company            | 75,808                             | 6.03 |
| Meiji Yasuda Life Insurance Company      | 59,929                             | 4.77 |
| Japan Trustee Services Bank, Ltd.        | 59,649                             | 4.75 |
| J.P. Morgan Chase Bank 380055            | 45,384                             | 3.61 |
| Sumitomo Mitsui Banking Corporation      | 45,006                             | 3.58 |
| Mizuho Corporate Bank, Ltd.              | 40,851                             | 3.25 |
| Moxley & Co. LLC                         | 31,758                             | 2.53 |
| SSBT OD05 OMNIBUS ACCOUNT-TREATY CLIENTS | 27,153                             | 2.16 |
| Japan Trustee Services Bank, Ltd.        | 22,982                             | 1.83 |

(Sumitomo Trust and Banking Co., Ltd. Retirement Benefit Trust Account)

As far as is known to the Company, there is no arrangement, the operation of which may at a subsequent date result in a change in control of the Company. The major shareholders have the same voting rights as other common shareholders of the Company.

As of March 31, 2012, there were 1,285,919,180 shares of Common Stock outstanding, of which 31,758,643 shares were in the form of ADR and 192,819,678 shares were held by residents in the U.S. The number of registered ADR holders was 51 and the number of registered holders of common stock in the U.S. was 122.

To the best knowledge of the Company, the Company is not, directly or indirectly, owned or controlled by other corporations or by the Japanese or any foreign government.

**B. Related Party Transactions**

In the ordinary course of business, the Company has transactions with numerous companies. During the fiscal year ended March 31, 2012, the Company had sales transactions with affiliates accounted under the equity method, aggregating ¥64,868 million. As of March 31, 2012, the Company had trade notes and accounts receivable from affiliated companies of ¥22,742 million.

Refer to Note 3 of the Consolidated Financial Statements for additional information regarding the Company's investments in and loan receivables from affiliated companies.

**C. Interests of Experts and Counsel**

Not applicable.

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### **Item 8. Financial Information**

#### **A. Consolidated Statements and Other Financial Information**

The information required by this item, except as stated below, appears in the consolidated financial statements of this Form 20-F.

##### **Export Sales**

Revenues from unaffiliated customers outside Japan are disclosed in Note 21 Segment Information Geographic Information on page F-45.

##### **Legal Proceedings**

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

##### **Antitrust**

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. 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 the 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.

The Company established a provision of ¥7,072 million for the ultimate liability in the fiscal year ended March 31, 2009, because the Company received the preliminary decision ordering a surcharge of ¥7,072 million in March, 2009. Notwithstanding motion for objection of the Company, the Company received the ultimate decision in June 2009 which ordered the Company to pay the surcharge of ¥7,072 million, and paid the surcharge in accordance with the decision during the year ended March 31, 2010.

Consequently the Company filed a suit to rescind the decision of the FTCJ with the Tokyo High Court in July 2009 since the Company believes that the facts on which the decision is based are not established by substantial evidence. However, it was dismissed on October 28, 2011, and the Company then appealed the case to the Supreme Court as it was not satisfied with the decision.

##### **Asbestos-related lawsuits**

Since the middle of the year 2005, with the asbestos issue becoming an object of public concern in Japan, 14 asbestos-related lawsuits were filed against the Company, or the Japanese Government and asbestos-related companies including the Company and the aggregate amount of claims is ¥17,566 million. The eleven lawsuits concerning an aggregate of 453 construction workers who suffered from asbestos-related diseases consist mostly of the aggregate amount of 14 claims and the defendants of these eleven lawsuits are the Japanese Government and 44 asbestos-related companies including the Company. Other three lawsuits are not material.

The Company does not have cost-sharing arrangements with other potentially responsible parties for these lawsuits. These asbestos-related lawsuits are all pending, and there have been no claim dismissed, settled, or otherwise resolved. There was not any amount of damages paid out and no accruals. The aggregate costs of administering and litigating the claims are immaterial as of the date of filing of this annual report. The time frame is not available over which presently unrecognized amount may be paid out.

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Policy on Dividends Distributions

The Company's basic policy for the allocation of profit is to maintain stable dividends or to provide increased dividends. The Company's policy is to determine the most appropriate use of retained earnings, by considering current business operations as well as the future business environment.

**B. Significant Changes**

Except as disclosed in this annual report, there have been no significant changes since the date of latest annual financial statements of the Company.

**Table of Contents****Item 9. The Offer and Listing****A. Offer and Listing Details**

The primary market for Kubota's common stock is the Tokyo Stock Exchange (the "TSE") in the form of original common stock. Kubota's common stock has been listed on the TSE since 1949, and has also been listed on the Osaka Securities Exchange since 1949.

Overseas, Kubota's common stock is listed on the New York Stock Exchange (the "NYSE") in the form of ADSs evidenced by American Depositary Receipts ("ADRs"). Prior to July 15, 2002, each ADS represented 20 shares of common stock. On July 15, 2002, the Company changed the unit of ADS from 20 common shares to five in order to help increase the number of ADS holders and improve the liquidity of its ADSs.

Kubota's ADSs, which have been listed on the NYSE since 1976, are issued with JPMorgan Chase Bank, as Depository.

The following table sets forth, for the periods indicated, the reported high and low sales prices of Kubota's common stock on the TSE and of Kubota's ADSs on the NYSE.

|                                 | TSE price per share<br>of common stock |       | NYSE price per ADS<br>(five common shares) |     |       |     |
|---------------------------------|----------------------------------------|-------|--------------------------------------------|-----|-------|-----|
|                                 | High                                   | Low   | High                                       | Low | High  | Low |
| <b>Annual Highs and Lows</b>    |                                        |       |                                            |     |       |     |
| 2008                            | ¥ 1,162                                | ¥ 575 | \$ 48                                      | 30  | \$ 28 | 34  |
| 2009                            | 918                                    | 328   | 43                                         | 41  | 17    | 72  |
| 2010                            | 945                                    | 540   | 51                                         | 08  | 27    | 66  |
| 2011                            | 923                                    | 648   | 55                                         | 50  | 37    | 35  |
| 2012                            | 832                                    | 561   | 51                                         | 97  | 36    | 81  |
| <b>Quarterly Highs and Lows</b> |                                        |       |                                            |     |       |     |
| 2011                            |                                        |       |                                            |     |       |     |
| 1st quarter                     | ¥ 893                                  | ¥ 677 | \$ 47                                      | 81  | \$ 38 | 01  |
| 2nd quarter                     | 782                                    | 648   | 46                                         | 43  | 37    | 35  |
| 3rd quarter                     | 821                                    | 705   | 49                                         | 32  | 43    | 50  |
| 4th quarter                     | 923                                    | 660   | 55                                         | 50  | 43    | 23  |
| 2012                            |                                        |       |                                            |     |       |     |
| 1st quarter                     | ¥ 799                                  | ¥ 661 | \$ 48                                      | 49  | \$ 41 | 41  |
| 2nd quarter                     | 764                                    | 561   | 47                                         | 00  | 36    | 81  |
| 3rd quarter                     | 724                                    | 580   | 45                                         | 35  | 37    | 65  |
| 4th quarter                     | 832                                    | 626   | 51                                         | 97  | 40    | 62  |
| <b>Monthly Highs and Lows</b>   |                                        |       |                                            |     |       |     |
| November, 2011                  | ¥ 694                                  | ¥ 610 | \$ 45                                      | 24  | \$ 38 | 95  |
| December, 2011                  | 724                                    | 608   | 45                                         | 35  | 39    | 14  |
| January, 2012                   | 707                                    | 626   | 45                                         | 72  | 40    | 62  |
| February, 2012                  | 827                                    | 674   | 51                                         | 97  | 44    | 71  |
| March, 2012                     | 832                                    | 752   | 49                                         | 49  | 46    | 38  |
| April, 2012                     | 815                                    | 748   | 49                                         | 14  | 46    | 54  |
| May, 2012                       | 781                                    | 651   | 47                                         | 86  | 41    | 43  |

The Company has never experienced trade suspensions, and keeps enough liquidity for trading.

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**B. Plan of Distribution**

Not applicable.

**C. Markets**

The stock of the Company is listed on two stock exchanges in Japan (Tokyo and Osaka), and one overseas stock exchange (New York). In May 1949, the stock was listed on the Tokyo Stock Exchange (the TSE ) and the Osaka Securities Exchange. The stock was also listed on the New York Stock Exchange (the NYSE ) in November 1976.

**D. Selling Shareholders**

Not applicable.

**E. Dilution**

Not applicable.

**F. Expenses of the Issue**

Not applicable.

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### Item 10. Additional Information

#### A. Share Capital

Not applicable.

#### B. Memorandum and Articles of Association

##### Organization

The Company is a joint stock corporation (*kabushiki kaisha*) incorporated in Japan under the Corporate Law of Japan. The Company is registered in the Commercial Register (*shogyo tokibo*) maintained by the Osaka Legal Affairs Bureau.

##### Objects and Purposes

Article 2 of the Articles of Incorporation of the Company provides that the Company's purpose is to engage in the following lines of business:

1. Manufacture, sale and laying work of cast iron pipe, various kinds of pipe and fittings thereof;
2. Manufacture and sale of castings, powder-metallurgy products and ceramic and other moldings;
3. Manufacture and sale of internal combustion engines, automobiles, agricultural machinery and ancillary farming products;
4. Manufacture, sale and installation of construction machinery, machine tools, pumps, valves, various kinds of industrial machinery and other machinery;
5. Manufacture, sale and installation of weighing, measuring and control equipment, electrical, electronic and communication machinery and equipment, automatic vending machines and automatizing machinery and equipment;
6. Manufacture and sale of various kinds of materials for civil engineering and construction as well as various kinds of machinery and equipment for houses;
7. Construction and civil engineering, and planning, manufacture, supervision, performance and sale of, and contracting for, houses, building structures, steel-frame structures and storage facilities and equipment;
8. Sale, purchase, lease and management of real estate and development of residential land;
9. Planning, manufacture, engineering and construction of, and contracting for, various environmental control devices and equipment and various plants;
10. Treatment, recovery and recycling business of various kinds of wastewater, exhaust gas and contaminated soil;



11. Treatment, recovery and recycling business of municipal and industrial wastes;
12. Manufacture and sale of chemicals for household use and for environmental control devices and equipment as well as bioproducts;
13. Manufacture, processing and sale of synthetic resins and other chemical synthetic products;
14. Development and sale of information processing and communication systems, and computer software;

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15. Operation of facilities for sports, lodging, training, health and medical care, recuperation and recreation;
16. Road cargo transportation business, water transportation business and warehousing business;
17. General leasing business;
18. Personnel dispatching agency business;
19. Business of soliciting life insurance, casualty insurance agency business and insurance agency business pursuant to the Automobile Injury Compensation Law;
20. Fee-charging employment agency;
21. Accounting and payroll administration services;
22. Copying, printing and bookbinding businesses;
23. Any consulting business relating to each of the foregoing items; and
24. Any other business ancillary to or relating to any of the foregoing items.

**Directors**

Each Director (other than an outside Director) has executive powers and duties to manage the affairs of the Company and each Representative Director, who is elected from among the Directors by the Board of Directors, has the statutory authority to represent the Company in all respects. Under the Corporate Law, the Directors must refrain from engaging in any business competing with the Company unless approved by the Board of Directors and any Director who has a special interest in the subject matter of a resolution to be taken by the Board of Directors cannot vote on such resolution. The maximum aggregate amounts of remunerations for the Company's Directors and those of the Company's Corporate Auditors must be approved at a general meeting of shareholders, respectively. The Company must also obtain the approval at a general meeting of shareholders if the Company desires to change such maximum aggregate amounts of remunerations. The remunerations for Directors are determined at the meeting of the Board of Directors based on the report of the Compensation Council within the range of the maximum aggregate amounts of remunerations approved at a general meeting of shareholders, in consideration of operating results, compensation levels of other companies, wage level of employees. The Compensation Council is composed of Representative Directors excluding the President and executive officers in charge of indirect departments. The report of the Compensation Council is submitted to the meeting of the Board of Directors after the approval of the President. The remunerations for Corporate Auditors are determined upon consultation among Corporate Auditors within the range of the maximum aggregate amounts of remunerations approved at a general meeting of shareholders, in consideration of the roles of the respective Corporate Auditors.

Except as stated below, neither the Corporate Law nor the Company's Articles of Incorporation make special provisions as to the Directors' or Corporate Auditors' power to vote in connection with their own compensation, the borrowing power exercisable by a Representative Director (or a Director who is given power by a Representative Director to exercise such power), their retirement age or requirements to hold any shares of Common Stock of the Company. The Corporate Law specifically requires the resolution of the Board of Directors for a company to acquire or dispose of material assets; to borrow a substantial amount of money; to appoint or dismiss important employees, such as executive officers; to establish, change or abolish material corporate organizations such as a branch office; to determine material conditions concerning offering of corporate bonds set forth in the ordinances of the Ministry of Justice; and to establish and maintain the internal control system set forth in the ordinances of the Ministry of Justice, such as the system to ensure the legitimacy of the performance of duties by Directors. The Regulations of

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the Board of Directors and the relevant internal regulation of the Company require a resolution of the Board of Directors for the Company's borrowing in an amount more than ¥5 billion or guaranteeing in an amount more than ¥1 billion or its equivalent.

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### **Common Stock**

#### ***General***

Except as otherwise stated, set forth below is information relating to the Company's Common Stock, including brief summaries of the relevant provisions of the Company's Articles of Incorporation and Share Handling Regulations, as currently in effect, and of the Corporate Law of Japan and related regulations.

Effective on January 5, 2009, a new central book-entry transfer system for listed shares of Japanese companies was established pursuant to the Act Concerning Book-Entry Transfer of Corporate Bonds, Shares etc. and regulations thereunder (collectively, the Book-entry Transfer Act), and this system is applied to the shares of Common Stock of the Company. Under this system, shares of all Japanese companies listed on any Japanese stock exchange are dematerialized, and shareholders of listed shares must have accounts at account management institutions to hold their shares unless such shareholder has an account at Japan Securities Depository Center, Inc. (JASDEC), the only institution that is designated by the relevant authorities as a clearing house under the Book-entry Transfer Act. Account management institutions are financial instruments business operators (i.e., securities companies), banks, trust companies and certain other financial institutions which meet the requirements prescribed by the Book-entry Transfer Act. Transfer of the shares of Common Stock of the Company is effected exclusively through entry in the records maintained by JASDEC and the account management institutions, and title to the shares passes to the transferee at the time when the transfer of the shares is recorded at the transferee's account at an account management institution. The holder of an account at an account management institution is presumed to be the legal holder of the shares recorded in such account.

Under the Corporate Law and the Book-entry Transfer Act, in order to assert shareholders' rights to which shareholders as of record dates are entitled (such as the rights to vote at a general meeting of shareholders or receive dividends) against the Company, a shareholder must have its name and address registered in the Company's register of shareholders. Under the central book-entry transfer system, shareholders shall notify the relevant account management institutions of certain information prescribed under the Book-entry Transfer Act and the Company's Share Handling Regulations, including their names and addresses, and the registration on the register of shareholders is made upon receipt by the Company of necessary information from JASDEC (as described in Record date). On the other hand, in order to assert, directly against the Company, shareholders' rights to which shareholders are entitled regardless of record dates such as minority shareholders' rights including the right to propose a matter to be considered at a general meeting of shareholders, except for shareholders' rights to request the Company to purchase or sell shares constituting less than a full unit (as described in Unit share system), JASDEC shall, upon the shareholder's request, issue a notice of certain information including the name and address of such shareholder to the Company. Thereafter, such shareholder is required to present the Company with a receipt of the request of the notice in accordance with the Company's Share Handling Regulations. Under the Book-entry Transfer Act, the shareholder shall exercise such shareholders' right within four weeks after the notice above has been given.

Non-resident shareholders are required to appoint a standing proxy in Japan or provide a mailing address in Japan. Each such shareholder must give notice of such standing proxy or mailing address to the relevant account management institution. Such notice will be forwarded to the Company through JASDEC. Japanese securities companies and commercial banks customarily act as standing proxies and provide related services for standard fees. Notices from the Company to non-resident shareholders are delivered to such standing proxies or mailing addresses.

The registered holder of deposited shares underlying ADSs is the Depository for ADSs. Accordingly, holders of ADSs will not be able to directly assert shareholders' rights against the Company.

#### ***Authorized capital***

Article 6 of the Articles of Incorporation of the Company provides that the total number of shares authorized to be issued by the Company is 1,874,700,000 shares.

As of March 31, 2012, 1,285,919,180 shares of Common Stock were issued. All shares of Common Stock of the Company have no par value. All issued shares of the Company are fully-paid and non-assessable.

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### *Distribution of Surplus*

#### *General*

Under the Corporate Law, distributions of cash or other assets by joint stock corporations to their shareholders, so called dividends, are referred to as distributions of Surplus ( Surplus is defined in Restriction on distribution of Surplus ). The Company may make distributions of Surplus to the shareholders any number of times per business year, subject to certain limitations described in Restriction on distribution of Surplus. Distributions of Surplus are required in principle to be authorized by a resolution of a general meeting of shareholders, but the Company may also authorize distributions of Surplus by a resolution of the Board of Directors as long as its non-consolidated annual financial statements and certain documents for the last business year present fairly its assets and profit or loss, as required by ordinances of the Ministry of Justice.

Distributions of Surplus may be made in cash or in kind in proportion to the number of shares of Common Stock of the Company held by each shareholder. A resolution of a general meeting of shareholders or the Board of Directors, as the case may be, authorizing a distribution of Surplus must specify the kind and aggregate book value of the assets to be distributed, the manner of allocation of such assets to shareholders, and the effective date of the distribution. If a distribution of Surplus is to be made in kind, the Company may, pursuant to a resolution of a general meeting of shareholders or the Board of Directors, as the case may be, grant a right to the shareholders to require the Company to make such distribution in cash instead of in kind. If no such right is granted to shareholders, the relevant distribution of Surplus must be approved by a special resolution of a general meeting of shareholders (see Voting rights with respect to a special resolution ).

Under the Company's Articles of Incorporation, year-end dividends and interim dividends may be distributed to shareholders appearing in the Company's register of shareholders as of March 31 and September 30 each year, respectively, in proportion to the number of shares of Common Stock of the Company held by each shareholder following approval by the general meeting of shareholders or the Board of Directors. The Company is not obliged to pay any dividends in cash unclaimed for a period of three years after the date on which they first became payable.

In Japan, the ex-dividend date and the record date for dividends precede the date of determination of the amount of the dividends to be paid. The price of the shares of common stock generally goes ex-dividend on the second business day prior to the record date for dividends.

#### *Restriction on distribution of Surplus*

In making a distribution of Surplus, the Company must, until the sum of its additional paid-in capital and legal reserve reaches one-quarter of its stated capital, set aside in its additional paid-in capital and/or legal reserve an amount equal to one-tenth of the amount of Surplus so distributed.

The amount of Surplus at any given time must be calculated in accordance with the following formula:

$$(A + B + C + D) \div (E + F + G)$$

In the above formula:

A = the total amount of other capital surplus and other retained earnings, each such amount being that appearing on the non-consolidated balance sheet as of the end of the last business year;

B = (if the Company has disposed of its treasury stock after the end of the last business year) the amount of the consideration for such treasury stock received by the Company less the book value thereof;

C = (if the Company has reduced its stated capital after the end of the last business year) the amount of such reduction less the portion thereof that has been transferred to additional paid-in capital or legal reserve (if any);

D = (if the Company has reduced its additional paid-in capital or legal reserve after the end of the last business year) the amount of such reduction less the portion thereof that has been transferred to stated capital (if any);

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E = (if the Company has cancelled its treasury stock after the end of the last business year) the book value of such treasury stock;

F = (if the Company has distributed Surplus to its shareholders after the end of the last business year) the total book value of the Surplus so distributed; and

G = certain other amounts set forth in ordinances of the Ministry of Justice, including (if the Company has reduced Surplus and thereby increased its stated capital, additional paid-in capital or legal reserve after the end of the last fiscal year) the amount of such reduction and (if the Company has distributed Surplus to the shareholders after the end of the last business year) the amount set aside in additional paid-in capital or legal reserve (if any) as required by ordinances of the Ministry of Justice.

The aggregate book value of Surplus to be distributed by the Company may not exceed a prescribed distributable amount (the Distributable Amount ), as calculated on the effective date of such distribution. The Distributable Amount at any given time shall be equal to the amount of Surplus less the aggregate of the following:

- (a) the book value of its treasury stock;
- (b) the amount of consideration for any of treasury stock disposed of by the Company after the end of the last business year; and
- (c) certain other amounts set forth in ordinances of the Ministry of Justice, including (if the sum of one-half of goodwill and the deferred assets exceeds the total of stated capital, additional paid-in capital and legal reserve, each such amount being that appearing on the non-consolidated balance sheet as of the end of the last business year) all or certain part of such exceeding amount as calculated in accordance with the ordinances of the Ministry of Justice.

If the Company has become at its option a company with respect to which consolidated balance sheets should also be considered in the calculation of the Distributable Amount (*renketsu haito kisei tekiyo kaisha*), the Company shall further deduct from the amount of Surplus the excess amount, if any, of (x) the total amount of stockholders' equity appearing on the non-consolidated balance sheet as of the end of the last business year and certain other amounts set forth by ordinances of the Ministry of Justice over (y) the total amount of stockholders' equity and certain other amounts set forth by ordinances of the Ministry of Justice appearing on the consolidated balance sheet as of the end of the last business year.

If the Company has prepared interim financial statements as described below, and if such interim financial statements have been approved by the board of directors or (if so required by the Corporate Law) by a general meeting of shareholders, then the Distributable Amount must be adjusted to take into account the amount of profit or loss, and the amount of consideration for any of the treasury stock disposed of by the Company, during the period in respect of which such interim financial statements have been prepared. The Company may prepare non-consolidated interim financial statements consisting of a balance sheet as of any date subsequent to the end of the last business year and an income statement for the period from the first day of the current business year to the date of such balance sheet. Interim financial statements so prepared by the Company must be audited by the Corporate Auditors and the Accounting Auditor, as required by ordinances of the Ministry of Justice.

***Stock splits***

The Company may at any time split shares in issue into a greater number of shares by resolution of the Board of Directors, and may in principle amend its Articles of Incorporation to increase the number of the authorized shares to be issued in proportion to the relevant stock split pursuant to a resolution of the Board of Directors rather than a special shareholders resolution (as defined in Voting rights ) which is otherwise required for amending the Articles of Incorporation.

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When a stock split is to be made, the Company must give public notice of the stock split, specifying the record date thereof, at least two weeks prior to such record date. Under the central book-entry transfer system operated by JASDEC, the Company must also give notice to JASDEC regarding a stock split at least two weeks prior to the relevant effective date. On the effective date of the stock split, the number of shares recorded in all accounts held by the Company's shareholders at account managing institutions or JASDEC will be increased in accordance with the applicable ratio.

### ***Consolidation of shares***

The Company may at any time consolidate shares in issue into a smaller number of shares by a special shareholders resolution (as defined in Voting rights ). When a consolidation of shares is to be made, the Company must give public notice or notice to each shareholder at least two weeks prior to the effective date of the consolidation of shares. Under the central book-entry transfer system operated by JASDEC, the Company must also give notice to JASDEC regarding a consolidation of shares at least two weeks prior to the effective date of the consolidation of shares. On the effective date of the consolidation of shares, the number of shares recorded in all accounts held by the Company's shareholders at account managing institutions or JASDEC will be decreased in accordance with the applicable ratio. The Company must disclose the reason for the consolidation of shares at the general meeting of shareholders.

### ***General meeting of shareholders***

The ordinary general meeting of shareholders of the Company for each fiscal year is normally held in June in each year in Osaka, Japan. In addition, the Company may hold an extraordinary general meeting of shareholders whenever necessary by giving notice of convocation thereof at least two weeks prior to the date set for the meeting.

Notice of convocation of a shareholders' meeting setting forth the place, time, purpose thereof and certain matters set forth in the Corporate Law and the ordinances of the Ministry of Justice, must be mailed to each shareholder having voting rights (or, in the case of a non-resident shareholder, to his or her standing proxy or mailing address in Japan) at least two weeks prior to the date set for the meeting. Under the Corporate Law, such notice may be given to shareholders by electronic means, subject to the consent of the relevant shareholders. The record date for exercising voting rights at an ordinary general meeting of shareholders is March 31 of each year.

Any shareholder or group of shareholders holding at least three percent of the total number of voting rights for a period of six months or more may require the convocation of a general meeting of shareholders for a particular purpose by specifying the purpose and reason for convocation to a Representative Director. Unless such shareholders' meeting is convened promptly or a convocation notice of a meeting which is to be held not later than eight weeks from the day of such demand is dispatched, the requiring shareholder may, upon obtaining a court approval, convene such shareholders' meeting.

Any shareholder or group of shareholders holding at least 300 voting rights or one percent of the total number of voting rights for a period of six months or more may propose a matter to be considered at a general meeting of shareholders by showing such matter to a Representative Director at least eight weeks prior to the date set for such meeting.

If the Company's Articles of Incorporation so provide, any of the minimum percentages, time periods and number of voting rights necessary for exercising the minority shareholder rights described above may be decreased or shortened.

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***Voting rights***

So long as the Company maintains the unit share system (see "Unit share system" below; currently 1,000 shares constitute one unit) a holder of shares constituting one or more full units is entitled to one voting right per unit of shares subject to the limitations on voting rights set forth in the following two sentences. Any corporate or certain entity one-quarter or more of whose total voting rights are directly or indirectly owned by the Company may not exercise its voting rights with respect to shares of Common Stock of the Company that it owns. In addition, the Company may not exercise its voting rights with respect to its shares that it owns. If the Company eliminates from its Articles of Incorporation the provisions relating to the unit of shares, holders of Common Stock will have one voting right for each share they hold. Except as otherwise provided by law or by the Articles of Incorporation, a resolution can be adopted at a general meeting of shareholders by a majority of the number of voting rights of all the shareholders entitled to exercise their voting rights represented at the meeting. The Corporate Law and the Company's Articles of Incorporation provide, however, that the quorum for the election of Directors and Corporate Auditors shall not be less than one-third of the total number of voting rights of all the shareholders entitled to exercise their voting rights. The Company's shareholders are not entitled to cumulative voting in the election of Directors. The Company's shareholders may exercise their voting rights through proxies, provided that the proxies are also shareholders holding voting rights. The Company's shareholders also may cast their votes in writing. The Company's shareholders may also exercise their voting rights by electronic means pursuant to the method designated by the Company.

The Corporate Law and the Company's Articles of Incorporation provide that in order to amend the Articles of Incorporation and in certain other instances, including:

- (1) acquisition of its own shares from a specific party other than its subsidiaries;
- (2) consolidation of shares;
- (3) any offering of new shares or existing shares held by the Company as treasury stock at a specially favorable price (or any offering of stock acquisition rights to subscribe for or acquire shares of capital stock, or bonds with stock acquisition rights at specially favorable conditions) to any persons other than shareholders;
- (4) the removal of a corporate auditor;
- (5) the exemption of liability of a director, corporate auditor or accounting auditor to the amounts set forth in the Corporate Law;
- (6) a reduction of stated capital with certain exceptions in which only a regular shareholders' resolution described above is required or a shareholders' resolution is not required;
- (7) a distribution of in-kind dividends which meets certain requirements;
- (8) dissolution, merger, consolidation or corporate split with certain exceptions in which a shareholders' resolution is not required;
- (9) the transfer of the whole or a material part of the business;
- (10) the taking over of the whole of the business of any other corporation with certain exceptions in which a shareholders' resolution is not required; or



(11) share exchange or share transfer for the purpose of establishing 100% parent-subsidary relationships with certain exceptions in which a shareholders resolution is not required, the quorum shall be one-third of the total voting rights of all the shareholders entitled to exercise their voting rights and the approval by at least two-thirds of the voting rights of all the shareholders entitled to exercise their voting rights represented at the meeting is required (the special shareholders resolutions ).

Pursuant to the terms of the Amended and Restated Deposit Agreement relating to ADRs evidencing ADSs, each ADS representing 5 shares of Common Stock of the Company, as soon as practicable after receipt of notice of any meeting or solicitation of consents or proxies of shareholders of the Company, the Depositary (currently JPMorgan Chase Bank) will mail to the record holders of ADRs a notice which will contain the information in the original notice. The record holders of ADRs on a date specified by the Depositary will be entitled to instruct the Depositary as to the exercise of the voting rights pertaining to the shares of Common Stock of the Company represented by their ADSs, including instructions to give a discretionary proxy to a person designated by the Company. The Depositary will endeavor, in so far as practicable, to vote the number of shares of Common Stock of the Company represented by such ADSs in accordance with such instructions. The Depositary will not itself exercise any voting discretion in respect of any ADSs.

***Issue of additional shares and pre-emptive rights***

Holders of the Company's shares of Common Stock have no pre-emptive rights under its Articles of Incorporation. Authorized but unissued shares may be issued at such times and upon such terms as the Board of Directors determines, subject to the limitations as to the offering of new shares at a specially favorable price mentioned under *Voting rights* above. In the case of an issuance or transfer of the Company's shares of Common Stock or stock acquisition rights by way of an allotment to a third party which would dilute the outstanding voting shares by 25% or more or change the controlling shareholder, in addition to a resolution of the Board of Directors, the approval of the shareholders or an affirmative opinion from a person independent of the Company's management is generally required pursuant to the regulations of the Japanese stock exchanges. The Board of Directors may, however, determine that shareholders shall be given subscription rights regarding a particular issue of new shares, in which case such rights must be given on uniform terms to all shareholders as at a record date at least two weeks prior to which public notice must be given. Each of the shareholders to whom such rights are given must also be given notice of the expiry thereof at least two weeks prior to the date on which such rights expire.

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Rights to subscribe for new shares may be made generally transferable by a resolution of the Board of Directors. Whether the Company will make subscription rights generally transferable in future rights offerings will depend upon the circumstances at the time of such offerings.

Subject to certain conditions, the Company may issue stock acquisition rights or bonds with stock acquisition rights by a resolution of the Board of Directors. Holders of stock acquisition rights may exercise their rights to acquire a certain number of shares within the exercise period as prescribed in the terms of their stock acquisition rights. Upon exercise of stock acquisition rights, the Company will be obliged to issue the relevant number of new shares or alternatively to transfer the necessary number of treasury stock held by it.

### ***Liquidation rights***

In the event of a liquidation of the Company, the assets remaining after payment of all debts and liquidation expenses and taxes will be distributed among shareholders in proportion to the respective numbers of shares of Common Stock held.

### ***Record date***

As mentioned above, March 31 is the record date for the Company's year-end dividends. So long as the Company maintains the unit share system, the shareholders who are registered as the holders of one or more units of shares in the Company's registers of shareholders at the end of each March 31 are entitled to exercise shareholders' rights at the ordinary general meeting of shareholders with respect to the business year ending on such March 31. September 30 is the record date for interim dividends. In addition, the Company may set a record date for determining the shareholders entitled to other rights and for other purposes by giving at least two weeks' prior public notice.

Under the Book-entry Transfer Act, JASDEC is required to give the Company a notice of the names and addresses of the shareholders, the number of shares held by them and other relevant information as of each such record date, and the Company's register of shareholders shall be updated accordingly.

The price of shares generally goes ex-dividends or ex-rights on Japanese stock exchanges on the second business day prior to a record date (or if the record date is not a business day, the third business day prior thereto), for the purpose of dividends or rights offerings.

### ***Acquisition by the Company of its common stock***

Under the Corporate Law and the Company's Articles of Incorporation, the Company may acquire its own shares of Common Stock (i) from a specific shareholder other than any of its subsidiaries (pursuant to a special shareholders resolution), (ii) from any of its subsidiaries (pursuant to a resolution of the Board of Directors), or (iii) by way of purchase on any Japanese stock exchange on which the Company's shares of Common Stock listed or by way of tender offer (as long as its non-consolidated annual financial statements and certain documents for the last business year fairly present its asset and profit or loss status, as required by ordinances of the Ministry of Justice) (in either case pursuant to an ordinary resolution of a general meeting of shareholders or a resolution of the Board of Directors). In the case of (i) above, any other shareholder may make a request to the Company that such other shareholder be included as a seller in the proposed purchase, provided that no such right will be available if the purchase price or any other consideration to be received by the relevant specific shareholder will not exceed the last trading price of the shares on the relevant stock exchange on the day immediately preceding the date on which the resolution mentioned in (i) above was adopted (or, if there is no trading in the shares on the stock exchange or if the stock exchange is not open on such day, the price at which the shares are first traded on such stock exchange thereafter).

Shares acquired by the Company may be held by it for any period or may be cancelled by a resolution of the Board of Directors. The Company may also transfer to any person the shares held by it, subject to a resolution of the Board of Directors, and subject also to other requirements similar to those applicable to the issuance of new shares, as described in *Issue of additional shares and pre-emptive rights* above. The Company may also utilize its treasury stock for the purpose of transfer to any person upon exercise of stock acquisition rights or for the purpose of acquiring another company by way of merger, share exchange or corporate split through exchange of treasury stock for shares or assets of the acquired company.

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### ***Unit share system***

The Articles of Incorporation of the Company provide that 1,000 shares constitute one unit of shares of Common Stock. Although the number of shares constituting one unit is included in the Articles of Incorporation, any amendment to the Articles of Incorporation reducing (but not increasing) the number of shares constituting one unit or eliminating the provisions for the unit of shares may be made by a resolution of the Board of Directors rather than by a special shareholders resolution, which is otherwise required for amending the Articles of Incorporation. The number of shares constituting one unit, however, cannot exceed 1,000 nor 0.5% of total number of issued shares.

Under the unit share system, shareholders shall have one voting right for each unit of shares that they hold. Any number of shares less than a full unit will carry no voting rights. Moreover, holders of shares constituting less than one unit will have no other shareholder rights, except that such holders may not be deprived of certain rights specified in the Corporate Law or ordinances of the Ministry of Justice, or in the Company's Articles of Incorporation, including the right to receive distribution of Surplus.

Under the central book-entry transfer system operated by JASDEC, shares constituting less than one unit are generally transferable. Under the rules of the Japanese stock exchanges, however, shares constituting less than one unit do not comprise a trading unit, except in limited circumstances, and accordingly may not be sold on the Japanese stock exchanges.

A holder of shares constituting less than one unit may require the Company to purchase such shares at their market value in accordance with the provisions of the Share Handling Regulations of the Company.

In addition, the Articles of Incorporation of the Company provide that a holder of shares constituting less than one full unit may request the Company to sell to such holder such amount of shares which will, when added together with the shares constituting less than one full unit held by such holder, constitute one full unit of Common Stock, in accordance with the provisions of the Share Handling Regulations of the Company. As prescribed in the Share Handling Regulations, such requests shall be made through an account management institution and JASDEC pursuant to the rules set by JASDEC, without going through the notification procedure required for the exercise of shareholders' rights entitled regardless of record dates as described in General.

A holder who owns ADRs evidencing less than 200 ADSs will indirectly own less than one full unit of shares of Common Stock. Although, as discussed above, under the unit share system holders of less than one full unit have the right to require the Company to purchase their shares or sell shares held by the Company to such holders, holders of ADRs evidencing ADSs that represent other than integral multiples of full units are unable to withdraw the underlying shares of Common Stock representing less than one full unit and, therefore, are unable, as a practical matter, to exercise the rights to require the Company to purchase such underlying shares or sell shares held by the Company to such holders. As a result, access to the Japanese markets by holders of ADRs through the withdrawal mechanism will not be available for dispositions of shares of Common Stock in lots less than one full unit. The unit share system does not affect the transferability of ADSs, which may be transferred in lots of any size.

### ***Sale by the Company of shares held by shareholders whose location is unknown***

The Company is not required to send a notice to a shareholder if a notice to such shareholder fails to arrive at the registered address of the shareholder in the Company's register of shareholders or at the address otherwise notified to the Company continuously for five years or more.

In addition, the Company may sell or otherwise dispose of shares of Common Stock for which the location of the shareholder is unknown. Generally, if (i) notices to a shareholder fail to arrive continuously for five years or more at the shareholder's registered address in the Company's register of shareholders or at the address otherwise notified to the Company, and (ii) the shareholder fails to receive dividends on the shares continuously for five years or more at the address registered in the Company's register of shareholders or at the address otherwise notified to the Company, the Company may sell or otherwise dispose of the shareholder's shares by a resolution of the Board of Directors and after giving at least three months' prior public and individual notice, and hold or deposit the proceeds of such sale or disposal of shares at the then market price of the shares for the shareholder, the location of which is unknown.

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### Reporting of substantial shareholdings

The Financial Instruments and Exchange Law of Japan and regulations thereunder requires any person, regardless of his/her residence, who has become, beneficially and solely or jointly, a holder of more than 5 percent of the total issued shares (with voting rights) of common stock of a company listed on any Japanese stock exchange or whose shares are traded on the over-the-counter market in Japan to file with the Director-General of a competent Local Finance Bureau of the Ministry of Finance within 5 business days a report concerning such shareholdings.

A similar report must also be filed in respect of any subsequent change of one percent or more in any such holding or any change in material matters set out in reports previously filed, with certain exceptions. For this purpose, shares issuable to such person upon conversion of convertible securities or exercise of share subscription warrants or stock acquisition rights are taken into account in determining both the number of shares (with voting rights) held by such holder and the issuer's total issued share capital. Any such report shall be filed with the Director-General of the relevant Finance Bureau of the Ministry of Finance through the Electronic Disclosure for Investors Network ( EDINET ) system. Copies of such report must also be furnished to the issuer of such shares.

Except for the general limitations under Japanese antitrust and anti-monopoly regulations against holding of shares of common stock of a Japanese corporation which leads or may lead to a restraint of trade or a monopoly, except for the limitations under the Foreign Exchange Regulations as described in D. Exchange Controls below, and except for general limitations under the Corporate Law or the Company's Articles of Incorporation on the rights of shareholders applicable regardless of residence or nationality, there is no limitation under Japanese laws and regulations applicable to the Company or under its Articles of Incorporation on the rights of non-resident or foreign shareholders to hold the shares of Common Stock of the Company or exercise voting rights thereon.

There is no provision in the Company's Articles of Incorporation that would have an effect of delaying, deferring or preventing a change in control of the Company and that would operate only with respect to merger, consolidation, acquisition or corporate restructuring involving the Company.

### Daily price fluctuation limits under Japanese stock exchange rules

Stock prices on Japanese stock exchanges are determined on a real-time basis by the balance between bids and offers. These stock exchanges are order-driven markets without specialists or market makers to guide price formation. In order to prevent excessive volatility, these stock exchanges set daily upward and downward price range limitations for each listed stock, based on the previous day's closing price. Although transactions may continue at the upward or downward limit price if the limit price is reached on a particular trading day, no transactions may take place outside these limits. Consequently, an investor wishing to sell at a price above or below the relevant daily limit on these stock exchanges may not be able to effect a sale at such price on a particular trading day, or at all.

### C. Material Contracts

All contracts concluded by the Company during the two-year period preceding the date of this report were entered into in the ordinary course of business.

### D. Exchange Controls

The Foreign Exchange and Foreign Trade Act of Japan and its related cabinet orders and ministerial ordinances (the Foreign Exchange Regulations ) govern the acquisition and holding of shares of Common Stock of the Company by exchange non-residents and by foreign investors. The Foreign Exchange Regulations currently in effect do not, however, affect transactions between exchange non-residents to purchase or sell shares outside Japan using currencies other than the Japanese yen.

Exchange non-residents are:

- (i) individuals who do not reside in Japan; and
- (ii) corporations whose principal offices are located outside Japan.



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Generally, branches and other offices of non-resident corporations that are located within Japan are regarded as residents of Japan. Conversely, branches and other offices of Japanese corporations located outside Japan are regarded as exchange non-residents.

Foreign investors are:

- (i) individuals who are exchange non-residents;
- (ii) corporations that are organized under the laws of foreign countries or whose principal offices are located outside of Japan; and
- (iii) corporations (1) of which 50% or more of their shares are held by individuals who are exchange non-residents and/or corporations (a) that are organized under the laws of foreign countries or (b) whose principal offices are located outside of Japan or (2) a majority of whose officers, or officers having the power of representation, are individuals who are exchange non-residents.

In general, the acquisition of shares of a Japanese company (such as the shares of Common Stock of the Company) by an exchange non-resident from a resident of Japan is not subject to any prior filing requirements. In certain limited circumstances, however, the Minister of Finance may require prior approval of an acquisition of this type. While prior approval, as described above, is not required, in the case where a resident of Japan transfers shares of a Japanese company (such as the shares of Common Stock of the Company) for consideration exceeding ¥100 million to an exchange non-resident, the resident of Japan who transfers the shares is required to report the transfer to the Minister of Finance through the Bank of Japan within 20 days from the date of the transfer or the date of the receipt of payment, whichever comes later, unless the transfer was made through a bank or financial instruments business operator licensed or registered under Japanese law.

If a foreign investor acquires shares of a Japanese company that is listed on a Japanese stock exchange (such as the shares of Common Stock of the Company) or that is traded on an over-the-counter market in Japan and, as a result of the acquisition, the foreign investor, in combination with any existing holdings, directly or indirectly holds 10% or more of the issued shares of the relevant company, the foreign investor must file a report of the acquisition with the Minister of Finance and any other competent Ministers having jurisdiction over that Japanese company on or before the 15<sup>th</sup> day of the month following the month in which such acquisition was made. In limited circumstances, such as where the foreign investor is in a country that is not listed on an exemption schedule in the Foreign Exchange Regulations, or where that Japanese company is engaged in certain business designated by the Foreign Exchange Regulations, a prior notification of the acquisition must be filed with the Minister of Finance and any other competent Ministers, who may then modify or prohibit the proposed acquisition.

Under the Foreign Exchange Regulations, dividends paid on and the proceeds from revenues in Japan of shares of Common Stock of the Company held by non-residents of Japan may generally be converted into any foreign currency and repatriated abroad.

## E. Taxation

### Japanese Taxation

*The following is a summary of the major Japanese national tax consequences of the ownership, acquisition and disposition of shares of Common Stock of the Company and of ADRs evidencing ADSs representing shares of Common Stock of the Company by a non-resident Holder (as defined below). The information given below regarding Japanese taxation is based on the tax laws and tax treaties currently in force and their interpretations by the Japanese tax authorities as of the date of this annual report. Tax laws and tax treaties as well as their interpretations may change at any time, possibly with retroactive effect. We will not update this summary for any changes in the tax laws or tax treaties or their interpretation that occurs after the date of this annual report. The summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to any particular investor depending on its individual circumstances. Accordingly, holders of shares of Common Stock of the Company including holders of ADRs evidencing ADSs are encouraged to consult their tax advisors regarding the application of the considerations discussed below to their particular circumstances.*

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This summary is based in part upon the representations of the Depositary and the assumption that each obligation in the deposit agreement, and in any related agreement, will be performed under its terms.

In general, taking into account the earlier assumption, for purposes of the Convention between the Government of the United States of America and the Government of Japan for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (the Treaty), and Japanese income tax purposes, eligible U.S. holders of ADRs will be treated as owning the Common Stock underlying the ADSs evidenced by the ADRs. For the purposes of the discussion, an eligible U.S. holder is a holder that:

- (i) is a resident of the United States for purposes of the Treaty;
- (ii) does not maintain a permanent establishment in Japan (a) to which ADRs or shares of Common Stock are attributable or (b) of which ADRs or shares of Common Stock form part of the business property; and
- (iii) is eligible for benefits under the Treaty with respect to income and gain derived in connection with ADRs or shares of Common Stock.

The following is a summary of the principal Japanese tax consequences (limited to national taxes) to non-residents of Japan or non-Japanese corporations without permanent establishments in Japan (non-resident Holders) who are holders of shares of Common Stock of the Company or of ADRs evidencing ADSs representing shares of Common Stock of the Company.

### *Dividends and capital gains*

Generally, non-resident Holders are subject to Japanese withholding tax on dividends paid by Japanese corporations. Such taxes are withheld prior to payment of dividends as required by Japanese law. Stock splits in themselves are not, in general, subject to Japanese income tax.

In the absence of an applicable tax treaty, convention or agreement reducing the maximum rate of Japanese withholding tax or allowing exemption from Japanese withholding tax, the rate of Japanese withholding tax applicable to dividends paid by Japanese corporations to non-resident Holders is 20 percent (20.42 percent, on or after January 1, 2013). However, with respect to dividends paid on listed shares issued by a Japanese corporation (such as the shares of Common Stock of the Company) to non-resident Holders, except for any individual shareholder who holds 3 percent or more of the total issued shares of the relevant Japanese corporation, the aforementioned 20 percent (20.42 percent, on or after January 1, 2013) withholding tax rate is reduced to (i) 7 percent for dividends due and payable on or before December 31, 2012, and (ii) 7.147 percent for dividends due and payable on or after January 1, 2013 but on or before December 31, 2013, and (iii) 15.315 percent for dividends due and payable on or after January 1, 2014. Due to the imposition of a special additional withholding tax (2.1 percent of the original withholding tax amount) to secure funds for reconstruction from the Great East Japan Earthquake, the original withholding tax rate of 7 percent, 15 percent and 20 percent, as applicable, will be effectively increased, respectively, to 7.147 percent, 15.315 percent and 20.42 percent, during the period beginning on January 1, 2013 and ending on December 31, 2037.

At the date of this annual report, Japan has income tax treaties, conventions or agreements in force, whereby the above-mentioned withholding tax rate is reduced, in most cases to 15 percent or 10 percent for portfolio investors (15 percent under the income tax treaties with, among other countries, Belgium, Canada, Denmark, Finland, Germany, Ireland, Italy, Luxembourg, New Zealand, Norway, Singapore, Spain and Sweden, and 10 percent under the income tax treaties with Australia, France, Hong Kong, the Netherlands, Switzerland, the United Kingdom and the United States).

Under the Treaty, the maximum rate of Japanese withholding tax which may be imposed on dividends paid by a Japanese corporation to an eligible U.S. holder that is a portfolio investor is generally limited to 10 percent of the gross amount actually distributed, and dividends paid by a Japanese corporation to an eligible U.S. holder that is a pension fund are exempt from Japanese taxation by way of withholding or otherwise unless such dividends are derived from the carrying on of a business, directly or indirectly, by such pension fund.

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If the maximum tax rate provided for in the income tax treaty applicable to dividends paid by the Company to any particular non-resident Holder is lower than the withholding tax rate otherwise applicable under Japanese tax law or any particular non-resident Holder is exempt from Japanese income tax with respect to such dividends under the income tax treaty applicable to such particular non-resident Holder, such non-resident Holder of the Company's shares of Common Stock who is entitled to a reduced rate of or exemption from Japanese withholding tax on payment of dividends is required to submit, through the withholding agent, an Application Form for Income Tax Convention Regarding Relief from Japanese Income Tax on Dividends in advance to the relevant tax authority before payment of dividends. A standing proxy for non-resident Holders of a Japanese corporation may provide this application service. With respect to ADSs, this reduced rate or exemption is applicable if the Depository or its agent submits 2 Application Forms (one before payment of dividends, the other within 8 months after the record date concerning such payment of dividends) together with certain other documents. To claim this reduced rate or exemption, any non-resident Holder holding ADRs evidencing ADSs will be required to file a proof of taxpayer status, residence and beneficial ownership (as applicable) and to provide other information or documents as may be required by the Depository. A non-resident Holder who is entitled, under an applicable income tax treaty, to a reduced treaty rate lower than the withholding tax rate otherwise applicable under Japanese tax law or an exemption from the withholding tax, but failed to submit the required application in advance will be entitled to claim the refund of withholding taxes withheld in excess of the rate under an applicable tax treaty (if such non-resident Holder is entitled to a reduced treaty rate under the applicable income tax treaty) or the whole of the withholding tax withheld (if such non-resident Holder is entitled to an exemption under the applicable income tax treaty) from the relevant Japanese tax authority, by complying with a certain subsequent filing procedure. The Company does not assume any responsibility to ensure withholding at the reduced treaty rate or not withholding for shareholders who would be eligible under an applicable tax treaty but where the required procedures as stated above are not followed.

Gains derived from the sale of shares of Common Stock of the Company or ADSs outside Japan by a non-resident Holder holding such shares or ADSs as a portfolio investor are, in general, not subject to Japanese income or corporation tax under Japanese tax law. Eligible U.S. holders are not subject to Japanese income or corporation tax with respect to such gains under the Treaty, subject to a certain filing requirement under Japanese law.

*Inheritance and gift*

Japanese inheritance tax and gift tax at progressive rates may be payable by an individual who has acquired shares of Common Stock or ADSs as a legatee, heir or donee from another individual even though neither the acquiring individual, the deceased nor the donor is a Japanese resident.

Holders of shares of Common Stock of the Company or ADSs should consult their tax advisors regarding the effect of these taxes and, in the case of U.S. holders, the possible application of the Estate and Gift Tax Treaty between the United States and Japan.

United States Federal Income Taxation

This section describes the material United States federal income tax consequences of owning Common Stock or ADSs. It applies to you only if you are a U.S. holder, as defined below, and you own your Common Stock or ADSs as capital assets for tax purposes. This section does not apply to you if you are a member of a special class of holders subject to special rules, including:

a dealer in securities,

a trader in securities that elects to use a mark-to-market method of accounting for your securities holdings,

a tax-exempt organization,

certain insurance companies,

a person liable for alternative minimum tax,



a person that actually or constructively owns 10% or more of the voting stock of the Company,

a person that holds Common Stock or ADSs as part of a straddle or a hedging or conversion transaction,

a person that purchases or sells Common Stock or ADSs as part of a wash sale for tax purposes, or

a person whose functional currency is not the U.S. dollar.

This section is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations, published rulings and court decisions, as well as on the Treaty, all as currently in effect. These laws are subject to change, possibly on a retroactive basis. In addition, this section is based in part upon the representations of the Depositary and the assumption that each obligation in the Deposit Agreement and any related agreement will be performed in accordance with its terms.

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If a partnership holds the Common Stock or ADSs, the United States federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding the Common Stock or ADSs should consult its tax advisor with regard to the United States federal income tax treatment of an investment in the Common Stock or ADSs.

You are a U.S. holder if you are a beneficial owner of Common Stock or ADSs and you are:

a citizen or resident of the United States,

a domestic corporation,

an estate whose income is subject to United States federal income tax regardless of its source, or

a trust if a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust.

*You should consult your own tax advisor regarding the United States federal, state and local and other tax consequences of owning and disposing of Common Stock and ADSs in your particular circumstances.*

This discussion addresses only United States federal income taxation.

In general, and taking into account the earlier assumptions, for United States federal income tax purposes, if you hold ADRs evidencing ADSs, you will be treated as the owner of the Common Stock represented by the ADSs evidenced by the ADRs. Exchanges of Common Stock for ADRs, and ADRs for Common Stock, generally will not be subject to United States federal income tax.

*Taxation of Dividends*

Under United States federal income tax laws, and subject to the passive foreign investment company, or PFIC rules discussed below, the gross amount of any dividend paid by the Company out of its current or accumulated earnings and profits (as determined for United States federal income tax purposes) to a U.S. holder is subject to United States federal income taxation. If you are a non-corporate U.S. holder, dividends paid to you in taxable years beginning before January 1, 2013 that constitute qualified dividend income will be taxable to you at a maximum rate of 15% provided that you hold the shares or ADSs for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meet other holding period requirements. Dividends paid by the Company with respect to Common Stock or ADSs generally will be qualified dividend income.

You must include any Japanese tax withheld from the dividend payment in this gross amount even though you do not in fact receive the amount withheld. The dividend is taxable to you when you, in the case of Common Stock, or the Depositary, in the case of ADSs, receive the dividend, actually or constructively. The dividend will not be eligible for the dividends-received deduction generally allowed to United States corporations in respect of dividends received from other United States corporations. The amount of the dividend distribution that you must include in your income as a U.S. holder will be the U.S. dollar value of the Japanese yen payments made, determined at the spot Japanese yen/U.S. dollar rate on the date the dividend distribution is includible in your income, regardless of whether the payment is in fact converted into U.S. dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date you include the dividend payment in income to the date you convert the payment into U.S. dollars will be treated as ordinary income or loss and will not be eligible for the special tax rate applicable to qualified dividend income. This gain or loss generally will be income or loss from sources within the United States for foreign tax credit limitation purposes.

Distributions in excess of current and accumulated earnings and profits, as determined for United States federal income tax purposes, will be treated as a non-taxable return of capital to the extent of your basis in the Common Stock or ADSs and thereafter as capital gain.

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Subject to certain limitations, the Japanese tax withheld in accordance with the Treaty, and paid over to Japan will be creditable against your United States federal income tax liability. Special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to the maximum 15% tax rate. To the extent a refund of the tax withheld is available to you under Japanese law or under the Treaty, the amount of tax withheld that is refundable will not be eligible for credit against your United States federal income tax liability. The rules governing foreign tax credits are complex and the Company urges you to consult your tax advisor regarding the foreign tax credit in your situation.

For foreign tax credit purposes, dividends will generally be income from sources outside the United States and, depending on your circumstances, will generally be either passive or general for purposes of computing the foreign tax credit allowable to you.

### *Taxation of Capital Gains*

Subject to the PFIC rules discussed below, if you are a U.S. holder and you sell or otherwise dispose of your Common Stock or ADSs, you will recognize capital gain or loss for United States federal income tax purposes equal to the difference between the U.S. dollar value of the amount that you realize and your tax basis, determined in U.S. dollars, in your Common Stock or ADSs. Capital gain of a non-corporate U.S. holder is generally taxed at preferential rates where the holder has a holding period greater than one year. The gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes.

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### *Passive Foreign Investment Company Rules*

The Company believes that Common Stock and ADSs should not be treated as stock of a PFIC for United States federal income tax purposes, but this conclusion is a factual determination that is made annually and thus may be subject to change. If the Company is treated as a PFIC, unless Common Stock or ADSs are marketable stock and a U.S. holder elects to be taxed annually on a mark-to-market basis with respect to the Common Stock or ADSs, gain realized on the sale or other disposition of the Common Stock or ADSs would in general not be treated as capital gain. Instead, if you are a U.S. holder, you would be treated as if you had realized such gain and certain excess distributions ratably over your holding period for the Common Stock or ADSs, the amount allocated to the taxable year in which you realized the gain or received the excess distribution would be taxed as ordinary income, the amount allocated to each prior year would generally be taxed at the highest tax rate in effect for each such year, and an interest charge would be applied to any such tax attributable to the prior years. With certain exceptions, your Common Stock or ADSs will be treated as stock of a PFIC if the Company was a PFIC at any time during your holding period of your Common Stock or ADSs. Dividends that you receive from the Company will not be eligible for the special tax rates applicable to qualified dividend income if the Company is a PFIC either in the taxable year of the distribution or the preceding taxable year.

### F. Dividends and Paying Agents

Not applicable.

### G. Statement by Experts

Not applicable.

### H. Documents on Display

According to the Securities Exchange Act of 1934, as amended, the Company is subject to the requirements of informational disclosure. The Company files various reports and other information, including this annual report on Form 20-F, to the U.S. Securities and Exchange Commission. These reports may be inspected at the following sites.

U.S. Securities and Exchange Commission: 100 F Street, N.E., Washington D.C. 20549 or at <http://www.sec.gov>.

Form 20-F is also available at the website of the Company. URL: <http://www.kubota.co.jp>.

The company's website is not part of this annual report.

### I. Subsidiary Information

Not applicable.

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The Company is exposed to market risks, including changes in foreign currency exchange rates, interest rates and prices of marketable equity securities. In order to hedge the risks of changes in foreign currency exchange rates and interest rates, the Company uses derivative financial instruments. The Company uses these derivative financial instruments solely for the purpose of mitigating risk and no derivative instruments are held or used for speculative purposes.

**Foreign Currency Exchange Risks**

The Company's foreign currency exposure relates primarily to its foreign currency denominated assets in its international operations. The Company utilizes foreign exchange forward contracts, foreign currency option contracts (collectively foreign exchange contracts) and cross-currency swap contracts primarily to fix the cash flows resulting from accounts receivable and payable and future transactions denominated in foreign currencies.

The following tables provide information regarding the Company's derivative financial instruments related to foreign exchange contract and cross-currency swap contracts of March 31, 2012. For foreign exchange contracts, the table presents average contractual exchange rates, contract amounts, and fair value. The majority of foreign exchange contracts have original maturities of less than one year. For cross-currency swap contracts, the table presents average contractual exchange rates, notional amounts, and fair value.

**Foreign Exchange Contracts (as of March 31, 2012)**

|                                       | Average<br>contractual<br>exchange rate | Millions of Yen     |               |
|---------------------------------------|-----------------------------------------|---------------------|---------------|
|                                       |                                         | Contract<br>amounts | Fair<br>value |
| Sell U.S. dollar, Buy Yen             | 82.14                                   | ¥ 35,878            | ¥ (1,412)     |
| Sell Euro, Buy Yen                    | 109.76                                  | 10,079              | (568)         |
| Sell Canadian dollar, Buy U.S. dollar | 1.01                                    | 10,376              | 95            |
| Sell Euro, Buy Norwegian krone        | 8.18                                    | 10,147              | (43)          |
| Others                                |                                         | 7,806               | 109           |
|                                       |                                         | ¥ 74,286            | ¥ (1,819)     |

**Cross-Currency Swap Contracts (as of March 31, 2012)**

|                                          | Millions of Yen |         |         |      |      |                           | Fair<br>value |
|------------------------------------------|-----------------|---------|---------|------|------|---------------------------|---------------|
|                                          | 2013            | 2014    | 2015    | 2016 | 2017 | 2018<br>and<br>thereafter | Total         |
| Receive U.S. dollar, Pay Canadian dollar |                 |         |         |      |      |                           |               |
| Notional amounts (U.S. dollar)           |                 | ¥ 2,340 | ¥ 1,560 |      |      |                           | ¥ 3,900       |
| Average contractual exchange rate        |                 | 0.99    | 0.96    |      |      |                           | ¥ 134         |

**Interest Rate Risks**

The Company is exposed to interest rate risks mainly inherent in its finance receivables and debt obligations. The Company has finance receivables with fixed rates and long-term debt with both fixed and variable rates. The Company uses interest rate swap agreements to enable the Company to choose between fixed and variable interest rates depending on how the funds are used as well as diversifying funding methods and lowering funding costs.

The following tables provide information about the Company's financial instruments that are sensitive to changes in interest rates at March 31, 2012. For finance receivables net and long-term debt, these tables present weight average interest rates, principal cash flows, and fair value. For interest rate swap contracts and cross-currency interest rate swap contracts, the table presents weighed average rates, notional amounts and fair value.



**Table of Contents**Finance Receivables net excluding Finance Leases (as of March 31, 2012)

|                   | Weighted<br>average<br>interest<br>rate | Millions of Yen |          |          |          |         |                           |           | Total     | Fair value |
|-------------------|-----------------------------------------|-----------------|----------|----------|----------|---------|---------------------------|-----------|-----------|------------|
|                   |                                         | 2013            | 2014     | 2015     | 2016     | 2017    | 2018<br>and<br>thereafter |           |           |            |
| U.S. dollar       | 0.59%                                   | ¥ 56,715        | ¥ 51,393 | ¥ 41,694 | ¥ 23,437 | ¥ 976   | ¥ 193                     | ¥ 174,408 | ¥ 174,776 |            |
| Canadian dollar   | 4.08                                    | 10,291          | 7,854    | 5,302    | 3,136    | 1,490   | 523                       | 28,596    | 29,991    |            |
| Australian dollar | 5.20                                    | 311             | 226      | 203      | 75       | 42      |                           | 857       | 871       |            |
|                   |                                         | ¥ 67,317        | ¥ 59,473 | ¥ 47,199 | ¥ 26,648 | ¥ 2,508 | ¥ 716                     | ¥ 203,861 | ¥ 205,638 |            |

Long-term Trade Accounts Receivable (as of March 31, 2012)

|              | Weighted<br>average<br>interest<br>rate | Millions of Yen |          |         |         |         |                           |          | Total    | Fair value |
|--------------|-----------------------------------------|-----------------|----------|---------|---------|---------|---------------------------|----------|----------|------------|
|              |                                         | 2013            | 2014     | 2015    | 2016    | 2017    | 2018<br>and<br>thereafter |          |          |            |
| Japanese yen | 3.39%                                   | ¥ 26,426        | ¥ 12,296 | ¥ 8,338 | ¥ 5,420 | ¥ 3,030 | ¥ 1,773                   | ¥ 57,283 | ¥ 60,583 |            |

Long-term Debt excluding Capital Lease Obligations (as of March 31, 2012)

|              | Weighted<br>average<br>interest<br>rate | Millions of Yen |          |          |          |          |                           |           | Total     | Fair value |
|--------------|-----------------------------------------|-----------------|----------|----------|----------|----------|---------------------------|-----------|-----------|------------|
|              |                                         | 2013            | 2014     | 2015     | 2016     | 2017     | 2018<br>and<br>thereafter |           |           |            |
| Japanese yen | 1.13%                                   | ¥ 50,621        | ¥ 14,981 | ¥ 23,034 | ¥ 4,120  | ¥ 8,506  | ¥ 479                     | ¥ 101,741 | ¥ 102,437 |            |
| U.S. dollar  | 1.58                                    | 34,516          | 35,172   | 49,365   | 24,036   | 9,953    |                           | 153,042   | 152,846   |            |
| Others       | 4.13                                    | 20,895          | 8,006    | 3,999    | 268      | 268      | 53                        | 33,489    | 32,755    |            |
|              |                                         | ¥ 106,032       | ¥ 58,159 | ¥ 76,398 | ¥ 28,424 | ¥ 18,727 | ¥ 532                     | ¥ 288,272 | ¥ 288,038 |            |

Interest Rate Swap Contracts (as of March 31, 2012)

|                                    | Millions of Yen, except rates |          |         |       |       |  | 2018<br>and<br>thereafter | Total    | Fair value |
|------------------------------------|-------------------------------|----------|---------|-------|-------|--|---------------------------|----------|------------|
|                                    | 2013                          | 2014     | 2015    | 2016  | 2017  |  |                           |          |            |
| Notional amounts (Yen)             | ¥ 12,500                      | ¥ 12,500 | ¥ 5,500 |       |       |  |                           | ¥ 30,500 | ¥ (163)    |
| Average pay rate                   | 1.06%                         | 1.06%    | 1.04%   |       |       |  |                           | 1.06%    |            |
| Average receive rate               | 0.41%                         | 0.41%    | 0.49%   |       |       |  |                           | 0.42%    |            |
| Notional amounts (U.S. dollar)     | ¥ 16,396                      | ¥ 4,696  | ¥ 796   | ¥ 796 | ¥ 796 |  |                           | ¥ 23,480 | ¥ (242)    |
| Average pay rate                   | 2.67%                         | 2.21%    | 1.94%   | 1.94% | 1.94% |  |                           | 2.50%    |            |
| Average receive rate               | 1.33%                         | 1.09%    | 0.62%   | 0.62% | 0.62% |  |                           | 1.21%    |            |
| Notional amounts (Canadian dollar) | ¥ 456                         | ¥ 76     |         |       |       |  |                           | ¥ 532    | ¥ (5)      |

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|                      |       |       |       |
|----------------------|-------|-------|-------|
| Average pay rate     | 4.50% | 4.53% | 4.50% |
| Average receive rate | 1.20% | 1.20% | 1.20% |



**Table of Contents**Cross-Currency Interest Rate Swap Contracts (as of March 31, 2012)

|                                           | Millions of Yen, except rates |          |          |          |      | 2018<br>and<br>thereafter | Total     | Fair value |
|-------------------------------------------|-------------------------------|----------|----------|----------|------|---------------------------|-----------|------------|
|                                           | 2013                          | 2014     | 2015     | 2016     | 2017 |                           |           |            |
| <b>Receive Yen, pay Thai baht</b>         |                               |          |          |          |      |                           |           |            |
| Notional amounts (Yen)                    | ¥ 20,000                      | ¥ 6,000  | ¥ 6,000  |          |      |                           | ¥ 32,000  | ¥ 1,809    |
| Average pay rate                          | 1.63%                         | 1.88%    | 0.23%    |          |      |                           | 1.42%     |            |
| Average receive rate                      | 0.54%                         | 0.70%    | 0.08%    |          |      |                           | 0.48%     |            |
| <b>Receive U.S. dollar, pay Thai baht</b> |                               |          |          |          |      |                           |           |            |
| Notional amounts (U.S. dollar)            | ¥ 41,184                      | ¥ 33,384 | ¥ 26,910 | ¥ 14,430 |      |                           | ¥ 115,908 | ¥ 136      |
| Average pay rate                          | 2.90%                         | 2.31%    | 1.83%    | 1.86%    |      |                           | 2.35%     |            |
| Average receive rate                      | 1.02%                         | 0.82%    | 0.64%    | 0.67%    |      |                           | 0.83%     |            |
| <b>Receive Yen, pay Canadian dollar</b>   |                               |          |          |          |      |                           |           |            |
| Notional amounts (Yen)                    | ¥ 5,000                       |          |          |          |      |                           | ¥ 5,000   | ¥ 90       |
| Average pay rate                          | 1.76%                         |          |          |          |      |                           | 1.76%     |            |
| Average receive rate                      | 0.22%                         |          |          |          |      |                           | 0.22%     |            |
| <b>Receive Norwegian krone, pay Euro</b>  |                               |          |          |          |      |                           |           |            |
| Notional amounts (Norwegian krone)        | ¥ 4,548                       |          |          |          |      |                           | ¥ 4,548   | ¥ (99)     |
| Average pay rate                          | 3.90%                         |          |          |          |      |                           | 3.90%     |            |
| Average receive rate                      | 5.04%                         |          |          |          |      |                           | 5.04%     |            |

Equity Price Risk

The Company holds available-for-sale securities included in investments. These securities are exposed to changes in equity price risks arising from changes in market prices for such securities. The Company does not hold marketable securities for trading purposes. The following table discloses the cost, fair value and unrealized holding gains and losses on marketable equity securities at March 31, 2012:

|                                             | Millions of Yen |            |                                         |                                          |
|---------------------------------------------|-----------------|------------|-----------------------------------------|------------------------------------------|
|                                             | Cost            | Fair value | Gross<br>unrealized<br>holding<br>gains | Gross<br>unrealized<br>holding<br>losses |
| <b>Available-for-sale:</b>                  |                 |            |                                         |                                          |
| Equity securities of financial institutions | ¥ 23,656        | ¥ 34,339   | ¥ 10,685                                | ¥ 2                                      |
| Other equity securities                     | 14,775          | 58,060     | 43,293                                  | 8                                        |
|                                             | ¥ 38,431        | ¥ 92,399   | ¥ 53,978                                | ¥ 10                                     |

**Table of Contents****Item 12. Description of Securities Other than Equity Securities****A. Debt Securities**

Not applicable.

**B. Warrants and Rights**

Not applicable.

**C. Other Securities**

Not applicable.

**D. American Depositary Shares****Fees and charges payable by a holders of ADSs**

The Company has appointed JP Morgan Chase Bank, N.A. as its depository pursuant to the Company's American Depositary Receipt program.

In accordance with the terms of the Amended and Restated Deposit Agreement, JP Morgan Chase Bank, N.A. may charge holders of ADSs, either directly or indirectly, fees or charges up to the amounts described below.

| <b>Category (as defined by SEC)</b>              | <b>Depository Actions</b>                                                                                                                                                                          | <b>Associated Fee</b>                                                                    | <b>To whom the fees or charges are paid</b> |
|--------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------|---------------------------------------------|
| Depositing or substituting the Underlying shares | Issuance of ADSs against the deposit of shares, including deposits and issuances in respect of:<br><br>Share distributions, stock split, rights, merger                                            | \$5.00 for each 100 ADSs (or portion thereof)<br><br>Evidenced by the new ADRs delivered | JP Morgan Chase Bank, N.A.                  |
| Receiving or distributing Dividends              | Exchange of securities or any other transaction or event or other distribution affecting the ADSs or the deposited securities                                                                      | \$0.02 or less per ADS                                                                   | JP Morgan Chase Bank, N.A.                  |
| Selling or exercising rights                     | Distribution of dividends                                                                                                                                                                          | \$5.00 for each 100 ADSs (or portion thereof)                                            | JP Morgan Chase Bank, N.A.                  |
| Withdrawing an underlying security               | Distribution or sale of securities, the fee being in an amount equal to the fee for the execution and delivery of ADSs which would have been charged as a result of the deposit of such securities | \$5.00 for each 100 ADSs (or portion thereof)                                            | JP Morgan Chase Bank, N.A.                  |
|                                                  | Acceptance of ADRs surrendered for withdrawal of deposited securities                                                                                                                              | \$5.00 for each 100 ADSs (or portion thereof)<br><br>evidenced by the ADRs               | JP Morgan Chase Bank, N.A.                  |

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|                                               |                                                                                                                                                                               |                                                                                                                      |                            |
|-----------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|----------------------------|
| Transferring, splitting or grouping receipts; | Transfers, combining or grouping of depositary receipts                                                                                                                       | surrendered<br>\$1.50 per ADR                                                                                        | JP Morgan Chase Bank, N.A. |
| General depositary services                   | Expenses incurred on behalf of Holders in connection with<br><br>Compliance with foreign exchange control regulations or any law or regulation relating to foreign investment | Certificate<br>Payable by Holders or<br>persons depositing Shares or<br>Holders withdrawing<br>Deposited Securities. | JP Morgan Chase Bank, N.A. |

The depositary's or its  
custodian's compliance with  
applicable law, rule or  
regulation

Stock transfer or other taxes  
and other governmental  
charges

Cable, telex, facsimile  
transmission/delivery

Expenses of the depositary in  
connection with the conversion  
of foreign currency into U.S.  
dollars (which are paid out of  
such foreign currency)

Any other charge payable by  
depositary or its agents

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Fees and payments made by the Depositary to the issuer

There were no fees or other direct and indirect payments made by the depositary to the Company in the fiscal year ended March 31, 2012.

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**PART II**

**Item 13. Defaults, Dividend Arrearages and Delinquencies**

None.

**Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds**

None.

**Item 15. Controls and Procedures**

**Disclosure Controls and Procedures**

The Company's management, with the participation of its chief executive and chief financial officers, evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended,) as of March 31, 2012. Based on that evaluation, the Company's chief executive and chief financial officers concluded that the disclosure controls and procedures were effective as of that date.

**Management's Report on Internal Control over Financial Reporting**

Management of 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, as amended, for the Company.

Management evaluated the effectiveness of the Company's internal control over financial reporting as of March 31, 2012 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, 2012.

The Company's independent registered public accounting firm, Deloitte Touche Tohmatsu LLC, has issued an audit report on the Company's internal control over financial reporting. Their report appears on page F-2 of the attached Consolidated Financial Statements.

**Changes in Internal Control over Financial Reporting**

No change in the Company's internal control over financial reporting occurred during the fiscal year ended March 31, 2012 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

**Item 16A. Audit Committee Financial Expert**

The Company's Board of Corporate Auditors has determined that Ryoji Sato qualifies as an "audit committee financial expert" as defined by the rules of the SEC. He is a certified public accountant in Japan. He joined Tohmatsu Awoki & Co. (currently, Deloitte Touche Tohmatsu LLC) in 1971. Since then, he worked as a public accountant for more than 30 years. He worked at Touche Ross Co. (currently, Deloitte LLP) in New York in 1978, and from 1979 to 1982 in London. In 2007, he assumed the position of Chief Executive Officer of Deloitte Touche Tohmatsu (currently, Deloitte Touche Tohmatsu LLC) and Executive Member, Deloitte Touche Tohmatsu (currently, Deloitte Touche Tohmatsu Limited), and held the position until 2010.

He was elected to the Company's Corporate Auditors at the ordinary general meeting of shareholders held on June 24, 2011. See Item 6.A. for information regarding his business experience. He meets the independence requirements imposed on corporate auditors under the Corporate Law of Japan.

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**Item 16B. Code of Ethics**

The Board of Directors of the Company adopted a Code of Ethics in April, 2004 and amended in February, 2011 and in April 2012, which is applicable to its Chief Executive Officer, General Manager of Planning & Control Headquarters, and General Manager of Finance and Accounting Department. This Code requires the relevant Officers to act honestly and candidly, including the ethical handling of conflict of interest, and to comply with all applicable laws, accounting standards, rules and regulations of self-regulatory organization, and policies and internal regulation of the Company. The Code also requires the relevant Officers to conduct full, fair, accurate, timely and understandable disclosure in reports and documents which are filed with or submitted to the SEC, and in other communications with the public and prompt internal reporting of violations of this Code.

The Company's Code of Ethics is attached as an exhibit to this annual report (exhibit 11.1).

**Table of Contents****Item 16C. Principal Accountant Fees and Services*****Fees and Services of Principal Accountant***

The following table discloses the aggregate fees accrued or paid to principal accountant and associated entities for each of the last two fiscal years:

|                    | Millions of yen |              |
|--------------------|-----------------|--------------|
|                    | 2012            | 2011         |
| Audit Fees         | ¥ 582           | ¥ 532        |
| Audit-Related Fees | 1               | 4            |
| Tax Fees           | 102             | 82           |
| All Other Fees     | 78              | 37           |
| <b>Total</b>       | <b>¥ 763</b>    | <b>¥ 655</b> |

Audit Fees include fees related to professional services rendered for quarterly reviews, audits of financial statements and effectiveness of internal control over financial reporting of the Company and its subsidiaries.

Audit-Related Fees include fees charged for consultations concerning financial accounting and reporting standards.

Tax Fees include fees charged for services related to tax compliance, including the preparation of tax returns and claims for refund, tax planning and tax advice, including assistance with tax audits and appeals, tax services for employee benefit plans and assistance with respect to requests for rulings from tax authorities.

All Other Fees include fees charged for services rendered with respect to consultation relating to improvements in the Company's internal controls. Services rendered by principal accountant and associated entities did not include design, development, and/or implementation of the Company's internal controls.

***Policies for Pre-Approval of Audit and Non-Audit Services rendered by Independent Registered Public Accounting Firm***

The Board of Corporate Auditors of the Company consists of five auditors, including three outside corporate auditors. The Board of Corporate Auditors has adopted Pre-Approval Policies and Procedures for Audit and Non-Audit Services (the Policies) for the purpose of supervising the services of its independent registered public accounting firm. The Policies govern external auditors to render audit or non-audit services to the Company. The Policies classify audit and non-audit services into three categories depending on the nature of services and regulate them differently.

The first category includes the following services and they are pre-approved comprehensively.

All services necessary to perform audit or review of the Company and any subsidiaries to comply with the rules of the SEC, Corporate Law of Japan, Financial Instruments and Exchange Law of Japan, rules and regulation of Stock Exchanges in Japan and any other rules and regulations, and related consultation of accounting procedures and voluntary audit and examination of subsidiaries.

Audit-related services, such as due diligence related to merger & acquisition activity, audit of employee benefit plans including audit of pension fund and audit or review of information systems related to accounting.

Services and consultation related to the preparation of tax returns.



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Other services, such as training of employees regarding accounting practices.

The second category includes non-audit services which are restricted by the Sarbanes-Oxley act and the rules of the SEC to be rendered by the same public accountants which renders audit services to the Company. The Policies prohibits such services to be rendered.

The third category includes additional services other than the above which may be pre-approved by the Board of Corporate Auditors on an individual basis.

No services were provided for which pre-approval was waived pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

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**Item 16D. Exemptions from the Listing Standards for Audit Committees**

With respect to the requirements of Rule 10A-3 under the Securities Exchange Act of 1934, as amended, relating to listed company audit committees, which apply to the Company through Section 303A.06 of the New York Stock Exchange's Listed Company Manual, the Company relies on an exemption provided by paragraph (c)(3) of that Rule available to foreign private issuers with boards of corporate auditors meeting certain requirements. For a New York Stock Exchange-listed Japanese company with a board of corporate auditors, the requirements for relying on paragraph (c)(3) of Rule 10A-3 are as follows:

1. The board of corporate auditors must be established, and its members must be selected, pursuant to Japanese law expressly requiring such a board for Japanese companies that elect to have a corporate governance system with corporate auditors.
2. Japanese law must and does require the board of corporate auditors to be separate from the board of directors.
3. None of the members of the board of corporate auditors is elected by management, and none of the listed company's executive officers is a member of the board of corporate auditors.
4. Japanese law must and does set forth standards for the independence of the members of the board of corporate auditors from the listed company or its management.
5. The board of corporate auditors, in accordance with Japanese law or the listed company's governing documents, must be responsible, to the extent permitted by Japanese law, for the appointment, retention and oversight of the work of any registered public accounting firm engaged (including, to the extent permitted by Japanese law, the resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the listed company, including its principal accountant which audits its consolidated financial statements included in its annual reports on Form 20-F.
6. To the extent permitted by Japanese law:

the board of corporate auditors must establish procedures for (i) the receipt, retention and treatment of complaints received by the listed company regarding accounting, internal accounting controls, or auditing matters, and (ii) the confidential, anonymous submission by its employees of concerns regarding questionable accounting or auditing matters;

the board of corporate auditors must have the authority to engage independent counsel and other advisers, as it determines necessary to carry out its duties; and

the listed company must provide for appropriate funding, as determined by its board of corporate auditors, for payment of (i) compensation to any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the listed company, (ii) compensation to any advisers employed by the board of corporate auditors, and (iii) ordinary administrative expenses of the board of corporate auditors that are necessary or appropriate in carrying out its duties.

In the Company's assessment, the Company's Board of Corporate Auditors, which meets the requirements for reliance on the exemption in paragraph (c)(3) of Rule 10A-3 described above, is not materially less effective than an audit committee meeting all the requirements of paragraph (b) of Rule 10A-3 (without relying on any exemption provided by that Rule) at acting independently of management and performing the functions of an audit committee as contemplated in this annual report.



**Table of Contents****Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

The following table sets forth the Company's purchases of its common stock during fiscal 2012:

| Period                                 | (a) Total number<br>of<br>shares<br>purchased | (b) Average price<br>paid<br>per<br>share (Yen) | (c) Total number<br>of<br>shares<br>purchased<br>as part of<br>publicly<br>announced<br>plans<br>or programs | (d) Maximum number<br>of<br>shares that<br>may yet be<br>purchased<br>under the plans<br>or programs |
|----------------------------------------|-----------------------------------------------|-------------------------------------------------|--------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|
| April 1, 2011 - April 30, 2011         | 1,420                                         | 763.63                                          | 0                                                                                                            | 0                                                                                                    |
| May 1, 2011 - May 31, 2011             | 1,394                                         | 726.89                                          | 0                                                                                                            | 0                                                                                                    |
| June 1, 2011 - June 30, 2011           | 1,528                                         | 685.31                                          | 0                                                                                                            | 0                                                                                                    |
| July 1, 2011 - July 31, 2011           | 4,023                                         | 727.94                                          | 0                                                                                                            | 0                                                                                                    |
| August 1, 2011 - August 31, 2011       | 2,964                                         | 675.94                                          | 0                                                                                                            | 0                                                                                                    |
| September 1, 2011 - September 30, 2011 | 15,768,548                                    | 634.17                                          | 15,768,000                                                                                                   | 4,232,000                                                                                            |
| October 1, 2011 - October 31, 2011     | 476                                           | 609.29                                          | 0                                                                                                            | 0                                                                                                    |
| November 1, 2011 - November 30, 2011   | 2,164                                         | 632.88                                          | 0                                                                                                            | 0                                                                                                    |
| December 1, 2011 - December 31, 2011   | 452                                           | 627.85                                          | 0                                                                                                            | 0                                                                                                    |
| January 1, 2012 - January 31, 2012     | 2,873                                         | 655.07                                          | 0                                                                                                            | 0                                                                                                    |
| February 1, 2012 - February 28, 2012   | 1,087                                         | 680.26                                          | 0                                                                                                            | 0                                                                                                    |
| March 1, 2012 - March 31, 2012         | 4,657                                         | 786.17                                          | 0                                                                                                            | 0                                                                                                    |
| <b>Total</b>                           | <b>15,791,586</b>                             | <b>634.28</b>                                   | <b>15,768,000</b>                                                                                            | <b>4,232,000</b>                                                                                     |

Note: 1) All purchases other than purchases publicly announced were made as a result of holders of shares less than one unit, which is 1,000 shares of common stock, requesting the Company to purchase shares that are a fraction of a unit in accordance with the Corporate Law.

Note: 2) In fiscal year 2012, the Company established a program of purchasing its shares on market. The Company executed the program pursuant to Article 156 of the Corporate Law after applying the regulations of Article 165, Paragraph 3 of said law. The program was not terminated prior to expiration. Details of the program are as follows:

The program resolved at the Board of Directors Meeting held on September 7, 2011:

- |                                          |                                                                                                      |
|------------------------------------------|------------------------------------------------------------------------------------------------------|
| i) Date of announcement:                 | September 7, 2011                                                                                    |
| ii) Type of share to be repurchased:     | Shares of common stock of the Company                                                                |
| iii) Number of shares to be repurchased: | Not exceeding 20 million shares<br>(1.6% of total numbers of shares issued excluding treasury stock) |
| iv) Amount of shares to be repurchased:  | Not exceeding ¥10 billion                                                                            |
| v) Period:                               | From September 8, 2011 to December 15, 2011                                                          |

**Item 16F. Changes in Registrant's Certifying Accountant**

Not applicable.

**Item 16G. Corporate Governance**

The following shows the significant differences between the corporate governance practices followed by U.S. listed companies under the NYSE Corporate Governance Rules and those followed by the Company under its home country practice.

**Independence of Directors**

A NYSE-listed U.S. company must have a majority of directors meeting the independence requirements under Section 303A of the NYSE Listed Company Manual.

Under the Corporate Law of Japan and relevant laws and ordinances (collectively, the Corporate Law of Japan ), Japanese joint stock corporations (*kabushiki kaisha*) with the board of directors and the accounting auditor (*kaikai-kansanin*) may elect to structure their corporate governance system to be either that of a company with corporate auditors (*kansayaku secchigaisha*) or that of a company with specified committees (*iinkai secchigaisha*). The Company is currently a company with corporate auditors, and does not have specified committees.

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As a company with corporate auditors, the Company is not required under the Corporate Law of Japan to have outside directors who meet any independence requirements under the Corporate Law of Japan on its board of directors. However, the Company has two Outside Directors. An outside director is defined as a director of the company who does not engage or has not engaged in the execution of business of the company or its subsidiaries as a director of any of these corporations, and who does not serve or has not served as an executive officer, manager or in any other capacity as an employee of the company or its subsidiaries. The tasks of supervising the administration of the Company's affairs by the Directors are assigned not only to the Board of Directors but also to the Company's Corporate Auditors, who are separate from the Company's management, under the Corporate Law of Japan. The tasks of examining the Company's financial statements are also assigned to the Company's Corporate Auditors under the Corporate Law of Japan. All Corporate Auditors must meet certain independence requirements under the Corporate Law of Japan. At least half of the Company's Corporate Auditors are required to be outside Corporate Auditors who must meet additional independence requirements under the Corporate Law of Japan. An outside corporate auditor is defined as a corporate auditor who has not served as a director, accounting counselor, executive officer, manager or any other employee of the company or any of its subsidiaries prior to the appointment. Currently, the Company has five Corporate Auditors, three of whom are Outside Corporate Auditors.

In addition, pursuant to the regulations of the Japanese stock exchanges, the Company is required to have one or more independent director(s)/corporate auditor(s) which terms are defined under the relevant regulations of the Japanese stock exchanges as outside directors or outside corporate auditors (each of which terms is defined under the Corporate Law of Japan) who are unlikely to have any conflicts of interests with shareholders of the Company. Each of the Outside Directors and Outside Corporate Auditors of the Company satisfies the requirements for the independent director/corporate auditor under the regulations of the Japanese stock exchanges respectively. The definition of independent director/corporate auditor is different from that of the independent directors under the corporate governance standards of the New York Stock Exchange or under Rule 10A-3 under the U.S. Securities Exchange Act of 1934, as amended.

### Audit committee

A NYSE-listed U.S. company must have an audit committee with responsibilities described under Section 303A of the NYSE Listed Company Manual, including those imposed by Rule 10A-3 under the U.S. Securities Exchange Act of 1934, as amended. The audit committee must be composed entirely of independent directors, and the audit committee must have at least three members.

Under the corporate auditor system that the Company employs in Japan, the board of corporate auditors is a legally separate and independent body from the board of directors. The function of the board of corporate auditors is similar to that of independent directors, including those who are members of the audit committee, of a U.S. company: to monitor the performance of the directors, and review and express opinion on the method of auditing by the company's accounting auditor and on such accounting auditor's audit reports, for the protection of the Company's shareholders. Under the Corporate Law of Japan, the Company is required to have at least three corporate auditors. The Articles of Incorporation of the Company provide for no more than six corporate auditors. Currently, the Company has five corporate auditors. Each corporate auditor has a four-year term. In contrast, the term of each director of the Company is one year. With respect to the requirements of Rule 10A-3 under the U.S. Securities Exchange Act of 1934, as amended, relating to listed company audit committees, the Company relies on an exemption under paragraph (c)(3) of that rule which is available to foreign private issuers with boards of corporate auditors meeting certain criteria.

### Nominating/corporate governance committee

A NYSE-listed U.S. company must have a nominating/corporate governance committee with responsibilities described under Section 303A of the NYSE Listed Company Manual. The nominating/corporate governance committee must be composed entirely of independent directors.

Under the Corporate Law of Japan, the Company's Directors must be elected at a general meeting of shareholders. Its Board of Directors does not have the power to fill its vacancies. The Company's Corporate Auditors must also be elected and dismissed at a general meeting of shareholders. The Company's Board of Directors must obtain the consent of its Board of Corporate Auditors in order to submit a proposal for election of a Corporate Auditor to a general meeting of shareholders. The Board of Corporate Auditors is also empowered to adopt a resolution requesting that the Company's Directors submit a proposal for election of a Corporate Auditor to a general meeting of shareholders. All Corporate Auditors have the right to state their opinion concerning the election, dismissal and resignation of a Corporate Auditor at the general meeting of shareholders.

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### **Compensation committee**

A NYSE-listed U.S. company must have a compensation committee with responsibilities described under Section 303A of the NYSE Listed Company Manual. The compensation committee must be composed entirely of independent directors.

Under the Corporate Law of Japan, the maximum aggregate amounts of remunerations, for the Company's Directors and those of the Company's Corporate Auditors must be approved at a general meeting of shareholders, respectively. The Company must also obtain the approval at a general meeting of shareholders if the Company desires to change such maximum amount of remunerations. The remunerations for Directors are determined at the meeting of the Board of Directors based on the report of the Compensation Council within the range of the maximum aggregate amounts of remunerations approved at a general meeting of shareholders, in consideration of operating results, compensation levels of other companies, wage level of employees. The Compensation Council is composed of Representative Directors excluding the President and executive officers in charge of indirect departments. The report of the Compensation Council is submitted to the meeting of the Board of Directors after the approval of the President. The remunerations for Corporate Auditors are determined upon consultation among Corporate Auditors within the range of the maximum aggregate amounts of remunerations approved at a general meeting of shareholders, in consideration of the roles of the respective Corporate Auditors.

### **Shareholders approval of equity compensation plan**

A NYSE-listed U.S. company must generally obtain shareholder approval with respect to any equity compensation plan or any material revision to an existing equity compensation plan.

Pursuant to the Corporate Law of Japan, if the Company desires to adopt an equity compensation plan under which stock acquisition rights are granted on specially favorable conditions (except where such rights are granted to all of its shareholders on a pro rata basis), the Company must approve the plan by a special resolution of a general meeting of shareholders, where the quorum is one-third of the total number of voting rights and the approval of at least two-thirds of the voting rights represented at the meeting is required.

### **Item 16H. Mine Safety Disclosure**

Not applicable.

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**PART III**

**Item 17. Financial Statements**

Not applicable.

**Item 18. Financial Statements**

See Consolidated Financial Statements attached hereto.

**Item 19. Exhibits**

Documents filed as exhibits to this annual report are as follows:

- 1.1 Articles of Incorporation of the Registrant (English translation)
  
- 1.2 Share Handling Regulations of the Registrant (English translation)
  
- 2.1 Form of Amended and Restated Deposit Agreement among the Registrant, JPMorgan Chase Bank as Depositary and all owners and holders from time to time of American Depositary Receipts, including the form of American Depositary Receipt (incorporated by reference to the Registration Statement on Form F-6 (File No. 333-91654) filed on June 26, 2002)
  
- 8.1 List of Significant Subsidiaries (See Organizational Structure in Item 4.C. of this Form 20-F)
  
- 11.1 Code of Ethics for Senior Financial Officers of the Registrant (English translation)
  
- 12.1 Certification of the principal executive officer of the Registrant required by Rule 13a-14(a)
  
- 12.2 Certification of the principal financial officer of the Registrant required by Rule 13a-14(a)
  
- 13.1 Certification required by Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code
  
- 101 Instance Document
  
- 101 Schema Document
  
- 101 Calculation Linkbase Document



101 Definition Linkbase Document

101 Labels Linkbase Document

101 Presentation Linkbase Document

(Note) The Company has not included as exhibits certain instruments with respect to its long-term debt, the amount of debt authorized under each of which does not exceed 10% of its total assets, and it agrees to furnish a copy of any such instrument to the Securities and Exchange Commission upon request.

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SIGNATURE

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

KUBOTA CORPORATION

Date: June 29, 2012

By /s/ Shigeru Kimura  
Shigeru Kimura  
Director and Managing Executive Officer  
(Principal Financial and Accounting Officer)

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**Attachment**

Kubota Corporation

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders of

Kubota Corporation

Osaka, Japan

We have audited the accompanying consolidated balance sheets of Kubota Corporation and subsidiaries (the Company) as of March 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income (loss), changes in equity, and cash flows for each of the three years in the period ended March 31, 2012. 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.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Kubota Corporation and subsidiaries as of March 31, 2012 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2012, 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, 2012, 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 22, 2012 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte Touche Tohmatsu LLC

Osaka, Japan

June 22, 2012

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders of

Kubota Corporation

Osaka, Japan

We have audited the internal control over financial reporting of Kubota Corporation and subsidiaries (the Company) as of March 31, 2012, 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, 2012, 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, 2012 of the Company and our report dated June 22, 2012 expressed an unqualified opinion on those financial statements.

/s/ Deloitte Touche Tohmatsu LLC

Osaka, Japan

June 22, 2012

**Table of Contents****Consolidated Balance Sheets**

KUBOTA Corporation and Subsidiaries

| (¥ in millions)<br>At March 31:                               | 2012               | 2011               |
|---------------------------------------------------------------|--------------------|--------------------|
| <b>ASSETS</b>                                                 |                    |                    |
| <b>Current assets:</b>                                        |                    |                    |
| Cash and cash equivalents                                     | ¥ 100,559          | ¥ 105,293          |
| Notes and accounts receivable:                                |                    |                    |
| Trade notes                                                   | 71,713             | 56,185             |
| Trade accounts                                                | 321,451            | 300,229            |
| Less: Allowance for doubtful notes and accounts receivable    | (2,404)            | (2,806)            |
| Short-term finance receivables net                            | 108,160            | 100,437            |
| Inventories                                                   | 202,070            | 174,217            |
| Other current assets                                          | 64,463             | 43,649             |
| <b>Total current assets</b>                                   | <b>866,012</b>     | <b>777,204</b>     |
| <b>Investments and long-term finance receivables:</b>         |                    |                    |
| Investments in and loan receivables from affiliated companies | 17,971             | 16,569             |
| Other investments                                             | 101,705            | 100,498            |
| Long-term finance receivables net                             | 204,272            | 199,829            |
| <b>Total investments and long-term finance receivables</b>    | <b>323,948</b>     | <b>316,896</b>     |
| <b>Property, plant, and equipment:</b>                        |                    |                    |
| Land                                                          | 89,529             | 89,435             |
| Buildings                                                     | 226,598            | 217,738            |
| Machinery and equipment                                       | 361,433            | 352,064            |
| Construction in progress                                      | 8,079              | 9,631              |
| <b>Total</b>                                                  | <b>685,639</b>     | <b>668,868</b>     |
| Accumulated depreciation                                      | (460,572)          | (451,510)          |
| <b>Net property, plant, and equipment</b>                     | <b>225,067</b>     | <b>217,358</b>     |
| <b>Other assets:</b>                                          |                    |                    |
| Goodwill and intangible assets net                            | 26,904             | 7,441              |
| Long-term trade accounts receivable                           | 31,409             | 27,487             |
| Other                                                         | 15,204             | 11,398             |
| Less: Allowance for doubtful non-current receivables          | (875)              | (932)              |
| <b>Total other assets</b>                                     | <b>72,642</b>      | <b>45,394</b>      |
| <b>Total</b>                                                  | <b>¥ 1,487,669</b> | <b>¥ 1,356,852</b> |

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(¥ in millions)

At March 31:

|                                                                                                                   | 2012               | 2011               |
|-------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| <b>LIABILITIES AND EQUITY</b>                                                                                     |                    |                    |
| <b>Current liabilities:</b>                                                                                       |                    |                    |
| Short-term borrowings                                                                                             | ¥ 69,623           | ¥ 76,642           |
| Trade notes payable                                                                                               | 16,905             | 13,978             |
| Trade accounts payable                                                                                            | 199,072            | 150,825            |
| Advances received from customers                                                                                  | 6,983              | 3,270              |
| Notes and accounts payable for capital expenditures                                                               | 13,817             | 9,800              |
| Accrued payroll costs                                                                                             | 30,830             | 26,847             |
| Accrued expenses                                                                                                  | 33,617             | 29,616             |
| Income taxes payable                                                                                              | 16,449             | 4,702              |
| Other current liabilities                                                                                         | 41,477             | 33,892             |
| Current portion of long-term debt                                                                                 | 107,210            | 85,556             |
| <b>Total current liabilities</b>                                                                                  | <b>535,983</b>     | <b>435,128</b>     |
| <b>Long-term liabilities:</b>                                                                                     |                    |                    |
| Long-term debt                                                                                                    | 184,402            | 191,760            |
| Accrued retirement and pension costs                                                                              | 41,882             | 35,285             |
| Other long-term liabilities                                                                                       | 18,188             | 13,318             |
| <b>Total long-term liabilities</b>                                                                                | <b>244,472</b>     | <b>240,363</b>     |
| <b>Commitments and contingencies</b>                                                                              |                    |                    |
| <b>Equity:</b>                                                                                                    |                    |                    |
| Kubota Corporation shareholders' equity:                                                                          |                    |                    |
| Common stock,<br>authorized 1,874,700,000 shares in 2012 and 2011<br>issued 1,285,919,180 shares in 2012 and 2011 | 84,070             | 84,070             |
| Capital surplus                                                                                                   | 88,834             | 89,140             |
| Legal reserve                                                                                                     | 19,539             | 19,539             |
| Retained earnings                                                                                                 | 560,710            | 516,858            |
| Accumulated other comprehensive loss                                                                              | (80,542)           | (65,381)           |
| Treasury stock (29,935,508 shares and 14,206,633 shares in 2012 and 2011, respectively), at cost                  | (19,328)           | (9,341)            |
| <b>Total Kubota Corporation shareholders' equity</b>                                                              | <b>653,283</b>     | <b>634,885</b>     |
| <b>Noncontrolling interests</b>                                                                                   | <b>53,931</b>      | <b>46,476</b>      |
| <b>Total equity</b>                                                                                               | <b>707,214</b>     | <b>681,361</b>     |
| <b>Total</b>                                                                                                      | <b>¥ 1,487,669</b> | <b>¥ 1,356,852</b> |

See notes to consolidated financial statements.

**Table of Contents****Consolidated Statements of Income**

KUBOTA Corporation and Subsidiaries

(\$ in millions except per share amounts)

For the years ended March 31:

|                                                                                    | 2012               | 2011      | 2010      |
|------------------------------------------------------------------------------------|--------------------|-----------|-----------|
| <b>Revenues</b>                                                                    | <b>¥ 1,008,019</b> | ¥ 933,685 | ¥ 930,644 |
| <b>Cost of revenues</b>                                                            | <b>735,836</b>     | 678,653   | 681,374   |
| <b>Selling, general, and administrative expenses</b>                               | <b>170,252</b>     | 165,407   | 179,352   |
| <b>Other operating expenses (income)</b>                                           | <b>(3,749)</b>     | 3,514     | 216       |
| <b>Operating income</b>                                                            | <b>105,680</b>     | 86,111    | 69,702    |
| <b>Other income (expenses):</b>                                                    |                    |           |           |
| Interest and dividend income                                                       | 3,760              | 3,429     | 3,381     |
| Interest expense                                                                   | (1,892)            | (1,632)   | (2,127)   |
| Gain on sales of securities net                                                    | 105                | 4,845     | 1,821     |
| Valuation loss on other investments                                                | (2,570)            | (1,758)   | (143)     |
| Gain on nonmonetary exchange of securities                                         |                    | 2,774     |           |
| Foreign exchange gain (loss) net                                                   | (7,609)            | (1,640)   | 2,894     |
| Other net                                                                          | 3,464              | (829)     | (2,045)   |
| Other income (expenses), net                                                       | (4,742)            | 5,189     | 3,781     |
| <b>Income before income taxes and equity in net income of affiliated companies</b> | <b>100,938</b>     | 91,300    | 73,483    |
| <b>Income taxes:</b>                                                               |                    |           |           |
| Current                                                                            | 35,594             | 27,137    | 28,540    |
| Deferred                                                                           | 954                | 3,547     | (2,563)   |
| Total income taxes                                                                 | 36,548             | 30,684    | 25,977    |
| <b>Equity in net income of affiliated companies</b>                                | <b>1,629</b>       | 492       | 402       |
| <b>Net income</b>                                                                  | <b>66,019</b>      | 61,108    | 47,908    |
| <b>Less: Net income attributable to noncontrolling interests</b>                   | <b>4,467</b>       | 6,286     | 5,582     |
| <b>Net income attributable to Kubota Corporation</b>                               | <b>¥ 61,552</b>    | ¥ 54,822  | ¥ 42,326  |
| <b>Net income attributable to Kubota Corporation per common share:</b>             |                    |           |           |
| <b>Basic</b>                                                                       | <b>¥ 48.75</b>     | ¥ 43.11   | ¥ 33.28   |

See notes to consolidated financial statements.

**Consolidated Statements of Comprehensive Income (Loss)**

KUBOTA Corporation and Subsidiaries

(\$ in millions)



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| For the years ended March 31:                                              | 2012            | 2011            | 2010            |
|----------------------------------------------------------------------------|-----------------|-----------------|-----------------|
| <b>Net income</b>                                                          | <b>¥ 66,019</b> | <b>¥ 61,108</b> | <b>¥ 47,908</b> |
| <b>Other comprehensive income (loss), net of tax:</b>                      |                 |                 |                 |
| Foreign currency translation adjustments                                   | (13,359)        | (26,382)        | 8,250           |
| Unrealized gains (losses) on securities                                    | 3,220           | (5,125)         | 11,761          |
| Unrealized gains on derivatives                                            | 538             | 804             | 556             |
| Pension liability adjustments                                              | (8,361)         | (3,080)         | 9,808           |
| <b>Total other comprehensive income (loss)</b>                             | <b>(17,962)</b> | <b>(33,783)</b> | <b>30,375</b>   |
| <b>Comprehensive income</b>                                                | <b>48,057</b>   | <b>27,325</b>   | <b>78,283</b>   |
| <b>Less: Comprehensive income attributable to noncontrolling interests</b> | <b>1,622</b>    | <b>3,213</b>    | <b>7,528</b>    |
| <b>Comprehensive income attributable to Kubota Corporation</b>             | <b>¥ 46,435</b> | <b>¥ 24,112</b> | <b>¥ 70,755</b> |

See notes to consolidated financial statements.

**Table of Contents****Consolidated Statements of Changes in Equity**

KUBOTA Corporation and Subsidiaries

(**¥** in millions except shares of common stock outstanding)

|                                                                              | Kubota Corporation Shareholders' Equity |                    |                  |                      |                                               |                               |                                  |                 |
|------------------------------------------------------------------------------|-----------------------------------------|--------------------|------------------|----------------------|-----------------------------------------------|-------------------------------|----------------------------------|-----------------|
|                                                                              | Common<br>Stock                         | Capital<br>Surplus | Legal<br>Reserve | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Loss | Treasury<br>Stock,<br>at Cost | Non-<br>controlling<br>Interests | Total<br>Equity |
| <b>Balance at March 31, 2009</b>                                             |                                         |                    |                  |                      |                                               |                               |                                  |                 |
| (1,272,063 thousands of shares)                                              | ¥ 84,070                                | ¥ 93,150           | ¥ 19,539         | ¥ 452,791            | ¥ (62,184)                                    | ¥ (9,082)                     | ¥ 37,959                         | ¥ 616,243       |
| Net income                                                                   |                                         |                    |                  | 42,326               |                                               |                               | 5,582                            | 47,908          |
| Other comprehensive income                                                   |                                         |                    |                  |                      | 28,429                                        |                               | 1,946                            | 30,375          |
| Cash dividends paid to Kubota Corporation shareholders, ¥14 per common share |                                         |                    |                  | (17,814)             |                                               |                               |                                  | (17,814)        |
| Cash dividends paid to noncontrolling interests                              |                                         |                    |                  |                      |                                               |                               | (489)                            | (489)           |
| Purchases and sales of treasury stock (less 216 thousands of shares)         |                                         |                    |                  |                      |                                               | (183)                         |                                  | (183)           |
| Increase in noncontrolling interests related to contribution                 |                                         |                    |                  |                      |                                               |                               | 2,109                            | 2,109           |
| Changes in ownership interests in subsidiaries                               |                                         | (3,909)            |                  |                      | (736)                                         |                               | (1,885)                          | (6,530)         |
| <b>Balance at March 31, 2010</b>                                             |                                         |                    |                  |                      |                                               |                               |                                  |                 |
| (1,271,847 thousands of shares)                                              | 84,070                                  | 89,241             | 19,539           | 477,303              | (34,491)                                      | (9,265)                       | 45,222                           | 671,619         |
| Net income                                                                   |                                         |                    |                  | 54,822               |                                               |                               | 6,286                            | 61,108          |
| Other comprehensive loss                                                     |                                         |                    |                  |                      | (30,710)                                      |                               | (3,073)                          | (33,783)        |
| Cash dividends paid to Kubota Corporation shareholders, ¥12 per common share |                                         |                    |                  | (15,267)             |                                               |                               |                                  | (15,267)        |
| Cash dividends paid to noncontrolling interests                              |                                         |                    |                  |                      |                                               |                               | (307)                            | (307)           |
| Purchases and sales of treasury stock (less 134 thousands of shares)         |                                         | 1                  |                  |                      |                                               | (76)                          |                                  | (75)            |
| Increase in noncontrolling interests related to contribution                 |                                         | (5)                |                  |                      |                                               |                               | 400                              | 395             |
| Changes in ownership interests in subsidiaries                               |                                         | (97)               |                  |                      | (180)                                         |                               | (2,052)                          | (2,329)         |
| <b>Balance at March 31, 2011</b>                                             |                                         |                    |                  |                      |                                               |                               |                                  |                 |
| (1,271,713 thousands of shares)                                              | 84,070                                  | 89,140             | 19,539           | 516,858              | (65,381)                                      | (9,341)                       | 46,476                           | 681,361         |
| Net income                                                                   |                                         |                    |                  | 61,552               |                                               |                               | 4,467                            | 66,019          |
| Other comprehensive loss                                                     |                                         |                    |                  |                      | (15,117)                                      |                               | (2,845)                          | (17,962)        |
| Cash dividends paid to Kubota Corporation shareholders, ¥14 per common share |                                         |                    |                  | (17,700)             |                                               |                               |                                  | (17,700)        |
| Cash dividends paid to noncontrolling interests                              |                                         |                    |                  |                      |                                               |                               | (291)                            | (291)           |
| Purchases and sales of treasury stock (less 15,729 thousands of shares)      |                                         |                    |                  |                      |                                               | (9,987)                       |                                  | (9,987)         |
| Increase in noncontrolling interests related to contribution                 |                                         |                    |                  |                      |                                               |                               | 73                               | 73              |

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|                                                                     |          |          |          |           |            |            |          |           |
|---------------------------------------------------------------------|----------|----------|----------|-----------|------------|------------|----------|-----------|
| Changes in ownership interests in subsidiaries                      |          | (306)    |          |           | (44)       |            | 6,051    | 5,701     |
| <b>Balance at March 31, 2012</b><br>(1,255,984 thousands of shares) | ¥ 84,070 | ¥ 88,834 | ¥ 19,539 | ¥ 560,710 | ¥ (80,542) | ¥ (19,328) | ¥ 53,931 | ¥ 707,214 |

See notes to consolidated financial statements.

**Table of Contents****Consolidated Statements of Cash Flows**

KUBOTA Corporation and Subsidiaries

(**¥ in millions**)**For the years ended March 31:**

|                                                                                             | <b>2012</b>     | <b>2011</b>     | <b>2010</b>     |
|---------------------------------------------------------------------------------------------|-----------------|-----------------|-----------------|
| <b>Operating activities:</b>                                                                |                 |                 |                 |
| Net income                                                                                  | ¥ 66,019        | ¥ 61,108        | ¥ 47,908        |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: |                 |                 |                 |
| Depreciation and amortization                                                               | 23,908          | 26,993          | 29,171          |
| Gain on sales of securities net                                                             | (105)           | (4,845)         | (1,821)         |
| Valuation loss on other investments                                                         | 2,570           | 1,758           | 143             |
| Gain on nonmonetary exchange of securities                                                  |                 | (2,774)         |                 |
| (Gain) loss from disposal of fixed assets net                                               | (6,693)         | 844             | 118             |
| Impairment loss on long-lived assets                                                        | 1,531           | 111             | 134             |
| Equity in net income of affiliated companies                                                | (1,629)         | (492)           | (402)           |
| Deferred income taxes                                                                       | 954             | 3,547           | (2,563)         |
| Change in assets and liabilities:                                                           |                 |                 |                 |
| (Increase) decrease in notes and accounts receivable                                        | (39,833)        | 5,707           | 20,380          |
| (Increase) decrease in inventories                                                          | (16,176)        | (13,640)        | 38,802          |
| (Increase) decrease in other current assets                                                 | (8,355)         | 8,459           | 1,205           |
| Increase (decrease) in trade notes and accounts payable                                     | 43,189          | 9,285           | (22,780)        |
| Increase (decrease) in income taxes payable                                                 | 11,670          | (17,684)        | 18,005          |
| Increase (decrease) in other current liabilities                                            | 11,519          | 7,474           | (9,896)         |
| Increase (decrease) in accrued retirement and pension costs                                 | (8,870)         | (9,627)         | 467             |
| Other                                                                                       | 197             | 5,683           | 201             |
| <b>Net cash provided by operating activities</b>                                            | <b>79,896</b>   | <b>81,907</b>   | <b>119,072</b>  |
| <b>Investing activities:</b>                                                                |                 |                 |                 |
| Purchases of fixed assets                                                                   | (26,962)        | (27,358)        | (26,621)        |
| Proceeds from sales of property, plant, and equipment                                       | 13,028          | 870             | 1,182           |
| Proceeds from sales and redemption of investments                                           | 187             | 6,300           | 9,101           |
| Acquisition of business, net of cash acquired                                               | (17,211)        |                 |                 |
| Increase in finance receivables                                                             | (167,040)       | (170,063)       | (172,218)       |
| Collection of finance receivables                                                           | 135,319         | 142,852         | 150,368         |
| Net increase in short-term loan receivables from affiliated companies                       | (5,565)         |                 |                 |
| Net (increase) decrease in time deposits                                                    | (2,080)         | 3,747           | (3,826)         |
| Other                                                                                       | 395             | 71              | (1,385)         |
| <b>Net cash used in investing activities</b>                                                | <b>(69,929)</b> | <b>(43,581)</b> | <b>(43,399)</b> |
| <b>Financing activities:</b>                                                                |                 |                 |                 |
| Proceeds from issuance of long-term debt                                                    | 104,816         | 62,489          | 121,966         |
| Repayments of long-term debt                                                                | (89,203)        | (93,895)        | (90,067)        |
| Net increase (decrease) in short-term borrowings                                            | 9               | 7,238           | (43,729)        |
| Cash dividends                                                                              | (17,700)        | (15,267)        | (17,814)        |
| Purchases of treasury stock                                                                 | (10,016)        | (50)            | (191)           |
| Purchases of noncontrolling interests                                                       | (924)           | (2,317)         | (6,407)         |
| Other                                                                                       | (246)           | 87              | 1,570           |
| <b>Net cash used in financing activities</b>                                                | <b>(13,264)</b> | <b>(41,715)</b> | <b>(34,672)</b> |
| <b>Effect of exchange rate changes on cash and cash equivalents</b>                         | <b>(1,437)</b>  | <b>(2,746)</b>  | <b>922</b>      |

|                                                             |                  |                  |                  |
|-------------------------------------------------------------|------------------|------------------|------------------|
| <b>Net increase (decrease) in cash and cash equivalents</b> | <b>(4,734)</b>   | <b>(6,135)</b>   | <b>41,923</b>    |
| <b>Cash and cash equivalents, beginning of year</b>         | <b>105,293</b>   | <b>111,428</b>   | <b>69,505</b>    |
| <b>Cash and cash equivalents, end of year</b>               | <b>¥ 100,559</b> | <b>¥ 105,293</b> | <b>¥ 111,428</b> |

See notes to consolidated financial statements.

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### **Notes to Consolidated Financial Statements**

KUBOTA Corporation and Subsidiaries

#### **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, construction machinery, pipe-related products, environment-related products, and industrial castings.

The manufacturing operations of the Company are conducted primarily at 20 plants in Japan and at 24 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 in 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 ( U.S. GAAP ).

##### **Principles of 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 consolidated in the March 31 consolidated financial statements on a three-month lag.

The accounts of variable interest entity ( VIE ) are included in the consolidated financial statements, as applicable. The Company is involved with a VIE which engages in farming by water culture. The VIE has been consolidated since the Company is the primary beneficiary. Total assets of the VIE at March 31, 2012 and 2011 were ¥177 million and ¥199 million, respectively. There are no restrictions on the use of the VIE's assets. Also, the creditors or beneficial interest holders of the consolidated VIE have no recourse to the general credit of the Company.

The Company is not a primary beneficiary of the unconsolidated VIEs and does not hold any significant variable interests in these VIEs.

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 U.S. 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 areas of inventory valuation, impairment of investments, collectability of notes and receivables, impairment of long-lived assets, product warranties, accruals for employee retirement and pension plans, valuation allowance for deferred tax assets, uncertain tax positions, 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.

**Cash and Cash Equivalents**

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Time deposits with original maturities of three months or less amounting to ¥2,935 million, ¥28,907 million, and ¥24,230 million, respectively, were included in cash and cash equivalents at March 31, 2012, 2011, and 2010. The restricted cash, which is pledged as collateral and received as advance payment for public works projects, is not included in cash and cash equivalents but included in other current assets and amounted to ¥2,136 million, ¥925 million, and ¥573 million at March 31, 2012, 2011, and 2010, respectively.

**Inventories**

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

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### **Investments**

The Company classifies all its marketable equity securities as available-for-sale and carries them at fair value with a corresponding recognition of the net unrealized holding gains or losses (net of tax) as an item of other comprehensive income (loss) in equity. The fair values of those securities are determined based on quoted market prices.

When a decline in value of a 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 the market decline, and other key measures. Other non-marketable securities are stated at cost and reviewed periodically for impairment.

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.

### **Allowance for Doubtful Accounts and Credit Losses**

The Company provides an allowance for doubtful accounts and credit losses. The allowance for doubtful accounts and credit losses is determined on the basis of the collection status of receivables, historical credit loss experience, economic trends, the customer's ability to repay, and collateral values. 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.

### **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 expenses of those assets are principally computed using the declining-balance method based on the estimated useful lives of the assets. The estimated useful lives range from 10 to 50 years for buildings and from two to 14 years for machinery and equipment.

### **Goodwill and Intangible Assets**

Goodwill is not amortized, but is instead tested for impairment annually or whenever events occur or circumstances change, which indicates the possibility of the impairment. When evaluating whether goodwill is impaired, the Company compares the fair value of the reporting unit to which the goodwill is assigned to the reporting unit's carrying amount, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, then the amount of the impairment loss must be measured. An impairment loss would be recognized when the carrying amount of goodwill exceeds its implied fair value. The Company's evaluation of goodwill completed during the year resulted in no impairment losses.

Intangible assets with definite useful lives are amortized on a method reflecting the pattern in which the economic benefits of the intangible asset are consumed if that pattern can be reliably determined. If that pattern cannot be reliably determined, a straight-line amortization method is used.

### **Long-Lived Assets**

The Company evaluates long-lived assets (including property, plant, equipment and intangible assets with definite useful lives) 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.

### **Retirement and Pension Plans**

The funded status of the Company's defined benefit pension plans and severance indemnity plans are recognized as an asset or a liability in the consolidated balance sheets with a corresponding adjustment to pension liability adjustment in accumulated other comprehensive income (loss), net of tax. The funded status is measured as the difference between the fair value of plan assets and the benefit obligation at March 31, the measurement date.



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The Company amortizes the prior service costs (benefits) due to the amendments of the benefit plans over the average remaining service period of the participants at the time of amendments. The Company recognizes any 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.

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### **Income Taxes**

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 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.

### **Sales Tax**

Revenues are presented exclusive of sales tax.

### **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) collectability is reasonably assured. The Company records estimated reductions to sales at the time of sale for sales incentive programs including product discounts, customer promotions, and volume-based rebates.

The 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 11. 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, 2012, 2011, and 2010 that pertain to long-term contracts were 2.3%, 2.2%, and 2.1%, respectively.

Finance income is recognized over the terms of the receivables using the interest method.

### **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.

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 19. COMMITMENTS AND CONTINGENCIES)

### **Derivative Financial Instruments**

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All derivatives are recognized in the consolidated balance sheets at fair value and are reported in other current assets, other assets, other current liabilities, or other long-term liabilities.

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 its 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 ineffective portion of changes in the fair value of derivatives is immediately recorded in earnings.

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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.

### **Fair Value Measurement**

Certain assets and liabilities that fall within the scope of the fair value measurements are categorized into three levels. The Company determines transfers between their levels at the date of the event or change in circumstances that caused the transfer.

- |         |                                                                                                                                                                                                                                                                  |
|---------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Level 1 | Quoted prices in active markets for identical assets or liabilities.                                                                                                                                                                                             |
| Level 2 | Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.                                                                                                                        |
| Level 3 | Unobservable inputs for the assets or liabilities. These are measured using the entity's own assumptions and inputs that are reasonably available or inputs many market participants use with reasonable confidence because observable inputs are not available. |

### **Net income attributable to Kubota Corporation per common share**

Net income attributable to Kubota Corporation per common share is computed by dividing net income attributable to Kubota Corporation by the weighted-average number of common shares outstanding during each year. The weighted average number of common shares outstanding for the years ended March 31, 2012, 2011, and 2010 was 1,262,533,879, 1,271,778,025, and 1,271,985,454, respectively. There were no potentially dilutive shares outstanding for the years ended March 31, 2012, 2011, and 2010.

### **New Accounting Standards**

In October 2009, the Financial Accounting Standards Board ( FASB ) issued a new accounting standard related to revenue recognition for multiple-deliverable arrangements. This standard requires that arrangement consideration be allocated to all deliverables using a selling price or estimated selling price and eliminates the residual method of allocation. This standard also requires additional qualitative and quantitative disclosures. This standard was effective for fiscal years beginning on or after June 15, 2010 and can be applied prospectively for revenue arrangements entered into or materially modified, or retrospectively for all prior periods, and was adopted by the Company on April 1, 2011. The Company chose to adopt this standard prospectively and its adoption did not have a material impact on the Company's consolidated financial statements.

In April 2011, the FASB issued amendments to the standard issued in July 2010, related to disclosures about the credit quality of financing receivables and the allowance for credit losses to clarify the definition of troubled debt restructurings, following an announcement made in January 2011, which had deferred the effective date for its disclosure. The amendments are effective for the first interim or annual period beginning on or after June 15, 2011, and should be applied retrospectively to the beginning of the annual period of adoption. The Company adopted the amendments on July 1, 2011. The adoption of this amendment did not have a material impact on the Company's consolidated financial statements.

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In May 2011, the FASB issued a new accounting standard to expand existing disclosure requirements for fair value measurements and change the wording largely in order to eliminate differences between U.S. GAAP and International Financial Reporting Standards ( IFRS ). This standard was effective during interim and annual periods beginning after December 15, 2011 and was adopted by the Company on January 1, 2012. The adoption of this amendment did not have a material impact on the Company's consolidated financial statements.

In June 2011, the FASB issued a new accounting standard related to the presentation of comprehensive income. This standard requires entities to report comprehensive income either in a single continuous financial statement or in two separate but consecutive financial statements and to present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statement(s) where the components of net income and the components of other comprehensive income are presented. This standard is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011, and should be applied retrospectively. In December 2011, the FASB issued amendments to defer its effective date pertaining to certain aspects of the new accounting standard. This deferral only applies to the presentation of reclassification adjustments. The amendments were effective for fiscal years, and interim periods within those years, beginning after December 15, 2011, and should be applied retrospectively. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

In December 2011, the FASB issued a new accounting standard related to the presentation of offsetting assets and liabilities in financial statements. The purpose of this issuance is to eliminate differences between U.S. GAAP and IFRS in order to enhance the comparability of statements prepared on the basis of U.S. GAAP and IFRS. This standard requires entities to disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. This standard is effective for annual reporting periods beginning on or after January 1, 2013 and interim periods within those annual periods, and should be applied retrospectively for all comparative periods presented. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

**Table of Contents****2. INVENTORIES**

Inventories are comprised of the following:

| (¥ in millions)            |  |           |           |
|----------------------------|--|-----------|-----------|
| At March 31:               |  | 2012      | 2011      |
| Finished products          |  | ¥ 119,446 | ¥ 109,043 |
| Spare parts                |  | 25,640    | 23,960    |
| Work in process            |  | 31,495    | 24,477    |
| Raw materials and supplies |  | 25,489    | 16,737    |
|                            |  | ¥ 202,070 | ¥ 174,217 |

**3. INVESTMENTS IN AND LOAN RECEIVABLES FROM AFFILIATED COMPANIES**

Investments in and loan receivables from affiliated companies in which the Company has the ability to exercise significant influence over their operating and financial policies are comprised of the following:

| (¥ in millions)             |  |          |          |
|-----------------------------|--|----------|----------|
| At March 31:                |  | 2012     | 2011     |
| Loan receivables current    |  | ¥ 5,919  | ¥        |
| Loan receivables noncurrent |  | 370      | 234      |
| Investments                 |  | 17,601   | 16,335   |
|                             |  | ¥ 23,890 | ¥ 16,569 |

The amounts of loan receivables-current are recorded in other current assets on the consolidated balance sheets. The amounts of loan receivables-noncurrent and investments are recorded in investments in and loan receivables from affiliated companies on the consolidated balance sheets.

The following table presents a summary of financial information of affiliated companies:

| (¥ in millions)       |  |          |          |
|-----------------------|--|----------|----------|
| At March 31:          |  | 2012     | 2011     |
| Current assets        |  | ¥ 60,059 | ¥ 54,358 |
| Noncurrent assets     |  | 56,293   | 59,853   |
| Total assets          |  | 116,352  | 114,211  |
| Current liabilities   |  | 60,623   | 59,068   |
| Long-term liabilities |  | 15,143   | 16,083   |
| Net assets            |  | ¥ 40,586 | ¥ 39,060 |

| (¥ in millions)               |  |           |           |           |
|-------------------------------|--|-----------|-----------|-----------|
| For the years ended March 31: |  | 2012      | 2011      | 2010      |
| Revenues                      |  | ¥ 231,133 | ¥ 222,694 | ¥ 210,492 |
| Cost of revenues              |  | 167,905   | 162,836   | 155,350   |
| Net income                    |  | 3,038     | 1,442     | 873       |

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Trade notes and accounts receivable from affiliated companies at March 31, 2012 and 2011 were ¥22,742 million and ¥21,885 million, respectively.

Revenues from affiliated companies aggregated ¥64,868 million, ¥63,886 million and ¥65,246 million for the years ended March 31, 2012, 2011, and 2010, respectively.

Cash dividends received from affiliated companies were ¥71 million, ¥69 million and ¥72 million for the years ended March 31, 2012, 2011, and 2010, respectively.

Retained earnings include net undistributed earnings of affiliated companies in the amount of ¥12,070 million and ¥11,361 million at March 31, 2012 and 2011, respectively.

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**Table of Contents****4. OTHER INVESTMENTS**

The following table presents the cost, fair value, and gross unrealized holding gains and losses for securities by major security type:

(¥ in millions)

| At March 31:                                | 2012     |            |                                |                                 | 2011     |            |                                |                                 |
|---------------------------------------------|----------|------------|--------------------------------|---------------------------------|----------|------------|--------------------------------|---------------------------------|
|                                             | Cost     | Fair Value | Gross Unrealized Holding Gains | Gross Unrealized Holding Losses | Cost     | Fair Value | Gross Unrealized Holding Gains | Gross Unrealized Holding Losses |
| <b>Other investments:</b>                   |          |            |                                |                                 |          |            |                                |                                 |
| Available-for-sale:                         |          |            |                                |                                 |          |            |                                |                                 |
| Equity securities of financial institutions | ¥ 23,656 | ¥ 34,339   | ¥ 10,685                       | ¥ 2                             | ¥ 25,525 | ¥ 34,839   | ¥ 10,403                       | ¥ 1,089                         |
| Other equity securities                     | 14,775   | 58,060     | 43,293                         | 8                               | 14,883   | 55,634     | 40,793                         | 42                              |
|                                             | ¥ 38,431 | ¥ 92,399   | ¥ 53,978                       | ¥ 10                            | ¥ 40,408 | ¥ 90,473   | ¥ 51,196                       | ¥ 1,131                         |

The following table presents the gross unrealized losses on, and related fair value of, the Company's available-for-sale securities, aggregated by the length of time that individual investment securities have been in a continuous unrealized loss position:

(¥ in millions)

| At March 31:                                | 2012                |                                 |                     |                                 | 2011                |                                 |                     |                                 |
|---------------------------------------------|---------------------|---------------------------------|---------------------|---------------------------------|---------------------|---------------------------------|---------------------|---------------------------------|
|                                             | 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 |
| <b>Other investments:</b>                   |                     |                                 |                     |                                 |                     |                                 |                     |                                 |
| Available-for-sale:                         |                     |                                 |                     |                                 |                     |                                 |                     |                                 |
| Equity securities of financial institutions | ¥ 197               | ¥ 2                             | ¥                   | ¥                               | ¥ 9,283             | ¥ 1,089                         | ¥                   | ¥                               |
| Other equity securities                     | 388                 | 8                               |                     |                                 | 625                 | 42                              |                     |                                 |
|                                             | ¥ 585               | ¥ 10                            | ¥                   | ¥                               | ¥ 9,908             | ¥ 1,131                         | ¥                   | ¥                               |

For the years ended March 31, 2012, 2011, and 2010, valuation losses on other investments were recognized to reflect the decline in fair value considered to be other-than-temporary totaling ¥2,570 million, ¥1,758 million, and ¥143 million, respectively.

(Merger of Aioi Insurance Co., Ltd., Nissay Dowa General Insurance Co., Ltd., and Mitsui Sumitomo Insurance Group)

On April 1, 2010, Aioi Insurance Co., Ltd., Nissay Dowa General Insurance Co., Ltd. ( Nissay ), and Mitsui Sumitomo Insurance Group merged and formed the new insurance holding company, MS&AD Insurance Group Holdings, Inc. ( MS&AD ). Upon the merger, each common share of Nissay, which was an acquired company, was converted into 0.191 share of the combined entity, MS&AD. The Company had owned common shares of Nissay which were classified as available-for-sale and recognized a gain on nonmonetary exchange of securities of ¥2,774 million upon the merger, based on the fair value of MS&AD's common shares of ¥4,140 million less the cost basis of Nissay's common shares of ¥1,366 million as of the date of the merger.

The Company classifies MS&AD's common shares as available-for-sale and carries them at fair value.





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The following table presents proceeds from sales of available-for-sale securities and the gross realized gains and losses on these sales:

| (¥ in millions)                                      | 2012 | 2011    | 2010    |
|------------------------------------------------------|------|---------|---------|
| <b>For the years ended March 31:</b>                 |      |         |         |
| Proceeds from sales of available-for-sale securities | ¥    | ¥ 6,188 | ¥ 3,588 |
| Gross realized gains                                 |      | 4,843   | 1,821   |
| Gross realized losses                                |      |         |         |

Investments in non-traded and unaffiliated companies, for which there is no readily determinable fair value, were stated at cost of ¥9,306 million and ¥10,025 million at March 31, 2012 and 2011, 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.

**Table of Contents****5. SALES FINANCING RECEIVABLES AND OTHER LOAN RECEIVABLES****Sales Financing Receivables**

The Company classifies sales financing receivables into the following three types:

**(1) Retail finance receivables**

The Company provides retail finance to customers who purchase the Company's farm equipment products from dealers in North America and Other Areas. Retail finance receivables are purchased under agreements between the Company and dealers in relation to the products offered to individual and corporate end-users. These receivables are recorded at the principal amount and are subsequently carried at amortized cost, less any allowance for credit losses.

**(2) Finance lease receivables**

The Company also provides finance leases in Japan and Asia outside Japan. Finance lease receivables in Japan relate to the Company's products leased to individual and corporate end-users. Finance lease receivables in Asia outside Japan relate to the Company's farm equipment products leased to individual and corporate end-users. These receivables are recorded at the aggregate of lease payments receivable plus the estimated residual value of the leased property, less unearned income and allowance for credit losses. There are no unguaranteed residual values related to finance leases at March 31, 2012.

**(3) Long-term trade accounts receivable**

Long-term trade accounts receivable is generated mainly from direct sale to individual end-users in the farm equipment market in Japan and Asia outside Japan.

Retail finance receivables and finance lease receivables are collectively reported as short-term finance receivables net and long-term finance receivables net on the consolidated balance sheets. Long-term trade accounts receivable in this note includes the current portion, which is included in trade accounts receivable on the consolidated balance sheets. These receivables are secured by the products being sold or financed.

Finance receivables net are comprised of the following:

| <b>(¥ in millions)</b>                   |                  |                  |
|------------------------------------------|------------------|------------------|
| <b>At March 31:</b>                      | <b>2012</b>      | <b>2011</b>      |
| <b>Retail finance receivables</b>        | <b>¥ 204,593</b> | <b>¥ 193,985</b> |
| Less: Allowance for credit losses        | (732)            | (603)            |
| <b>Retail net</b>                        | <b>203,861</b>   | <b>193,382</b>   |
| <b>Finance lease receivables</b>         | <b>128,415</b>   | <b>127,056</b>   |
| Less: Unearned income                    | (16,479)         | (17,674)         |
| Less: Allowance for credit losses        | (3,365)          | (2,498)          |
| <b>Finance leases net</b>                | <b>108,571</b>   | <b>106,884</b>   |
| <b>Total finance receivables net</b>     | <b>312,432</b>   | <b>300,266</b>   |
| Less: current portion                    | (108,160)        | (100,437)        |
| <b>Long-term finance receivables net</b> | <b>¥ 204,272</b> | <b>¥ 199,829</b> |

Long-term trade accounts receivable net is comprised of the following:

| (¥ in millions)                            |          |          |
|--------------------------------------------|----------|----------|
| At March 31:                               | 2012     | 2011     |
| <b>Long-term trade accounts receivable</b> |          |          |
| Current                                    | ¥ 26,901 | ¥ 24,500 |
| Non-current                                | 31,409   | 27,487   |
| Total long-term trade accounts receivable  | 58,310   | 51,987   |
| Less: Allowance for doubtful accounts      | (1,027)  | (1,016)  |
| Long-term trade accounts receivable net    | ¥ 57,283 | ¥ 50,971 |

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The following table presents the annual maturities of retail finance receivables and long-term trade accounts receivable and future minimum lease payments on finance leases:

(¥ in millions)

| Years ending March 31: | Retail<br>finance<br>receivables | Finance<br>lease<br>receivables | Long-term trade<br>accounts receivable |
|------------------------|----------------------------------|---------------------------------|----------------------------------------|
| 2013                   | ¥ 67,513                         | ¥ 50,722                        | ¥ 26,901                               |
| 2014                   | 59,705                           | 34,748                          | 12,516                                 |
| 2015                   | 47,379                           | 23,076                          | 8,487                                  |
| 2016                   | 26,750                           | 14,260                          | 5,517                                  |
| 2017                   | 2,524                            | 5,432                           | 3,084                                  |
| 2018 and thereafter    | 722                              | 177                             | 1,805                                  |
| <b>Total</b>           | <b>¥ 204,593</b>                 | <b>¥ 128,415</b>                | <b>¥ 58,310</b>                        |

The Company includes finance income and expenses in revenues and cost of revenues in the consolidated statements of income.

The following table presents the amounts of finance income and expenses included in revenues and cost of revenues:

(¥ in millions)

| For the years ended March 31: | 2012     | 2011     | 2010     |
|-------------------------------|----------|----------|----------|
| Finance income                | ¥ 18,964 | ¥ 20,128 | ¥ 21,364 |
| Finance expenses              | 6,699    | 8,773    | 10,029   |

The Company also analyzes sales financing receivables by four regions: North America, Japan, Asia Outside Japan, and Other Area. Credit risks on these receivables are affected by economic conditions, such as consumer demand, unemployment level, and the level of government subsidies, which differ from location to location.

**(Credit Quality Indicator)**

The Company classifies sales financing receivables into risk categories based on relevant information about the ability of borrowers to service their debt, such as the collection status of receivables, customers' financial health, historical credit loss experience, and economic trends. Subsequent to origination, the Company reviews the credit quality of these receivables on a quarterly basis. The Company's credit quality ratings for these receivables are defined as follows:

|        |                                                                                                                                                                                                                                                                                                                           |
|--------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Rank A | These receivables are performing on schedule under their terms. They are not likely to incur losses arising from customers' inability to repay and the Company expects to collect all amounts due.                                                                                                                        |
| Rank B | These receivables require management's attention to potential losses but are not categorized as rank C. Such receivables do not indicate that it is individually probable that losses will be incurred arising from customers' inability to repay.                                                                        |
| Rank C | The Company becomes aware of a customer's inability to repay, such as the customer's long-term nonperformance, bankruptcy filings, or deterioration in the customer's results of operations or financial position. In such cases, it is probable that losses will be incurred arising from customers' inability to repay. |

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The following table presents the recorded investment in sales financing receivables by type of receivables, region, and credit quality indicator based on the information available at the end of each fiscal year:

(¥ in millions)

| At March 31:                                            | Retail finance receivables |              | Finance lease receivables |                    | Long-term trade accounts receivable |                    |
|---------------------------------------------------------|----------------------------|--------------|---------------------------|--------------------|-------------------------------------|--------------------|
|                                                         | North America              | Other Areas  | Japan                     | Asia Outside Japan | Japan                               | Asia Outside Japan |
| <b>Credit risk profile by internally assigned rank:</b> |                            |              |                           |                    |                                     |                    |
| <b>2012:</b>                                            |                            |              |                           |                    |                                     |                    |
| Rank A                                                  | ¥ 194,625                  | ¥ 865        | ¥ 8,565                   | ¥ 100,169          | ¥ 55,041                            | ¥ 82               |
| Rank B                                                  | 8,699                      |              | 201                       | 3,001              | 2,669                               |                    |
| Rank C                                                  | 404                        |              |                           |                    | 518                                 |                    |
| <b>Total</b>                                            | <b>¥ 203,728</b>           | <b>¥ 865</b> | <b>¥ 8,766</b>            | <b>¥ 103,170</b>   | <b>¥ 58,228</b>                     | <b>¥ 82</b>        |
| <b>2011:</b>                                            |                            |              |                           |                    |                                     |                    |
| Rank A                                                  | ¥ 183,973                  | ¥            | ¥ 9,485                   | ¥ 98,444           | ¥ 49,058                            | ¥                  |
| Rank B                                                  | 9,713                      |              | 181                       | 1,272              | 2,890                               |                    |
| Rank C                                                  | 299                        |              |                           |                    | 39                                  |                    |
| <b>Total</b>                                            | <b>¥ 193,985</b>           | <b>¥</b>     | <b>¥ 9,666</b>            | <b>¥ 99,716</b>    | <b>¥ 51,987</b>                     | <b>¥</b>           |

(Aging)

All sales financing receivables are considered past due when any payments including principal and interest have not been received by the contractual due date.

The following table presents an aging analysis of past due sales financing receivables by type of receivables and region:

(¥ in millions)

| At March 31:                        | Region             | Up to            |                     | 61-90 days   |                  | Greater than    |                  | Total Current    | Total |
|-------------------------------------|--------------------|------------------|---------------------|--------------|------------------|-----------------|------------------|------------------|-------|
|                                     |                    | 30 days Past due | 31-60 days Past due | Past due     | 90 days Past due | Total Past due  |                  |                  |       |
| <b>2012:</b>                        |                    |                  |                     |              |                  |                 |                  |                  |       |
| Retail finance Receivables          | North America      | ¥ 7,586          | ¥ 622               | ¥ 93         | ¥ 802            | ¥ 9,103         | ¥ 194,625        | ¥ 203,728        |       |
| Retail finance Receivables          | Other Areas        |                  |                     |              |                  |                 | 865              | 865              |       |
| Finance lease receivables           | Japan              | 67               | 25                  | 22           | 80               | 194             | 8,572            | 8,766            |       |
| Finance lease receivables           | Asia Outside Japan | 499              | 606                 | 519          | 1,377            | 3,001           | 100,169          | 103,170          |       |
| Long-term trade accounts receivable | Japan              | 925              | 247                 | 150          | 1,097            | 2,419           | 55,809           | 58,228           |       |
| Long-term trade accounts receivable | Asia Outside Japan |                  |                     |              |                  |                 | 82               | 82               |       |
| <b>Total</b>                        |                    | <b>¥ 9,077</b>   | <b>¥ 1,500</b>      | <b>¥ 784</b> | <b>¥ 3,356</b>   | <b>¥ 14,717</b> | <b>¥ 360,122</b> | <b>¥ 374,839</b> |       |
| <b>2011:</b>                        |                    |                  |                     |              |                  |                 |                  |                  |       |
| Retail finance receivables          | North America      | ¥ 8,061          | ¥ 868               | ¥ 175        | ¥ 895            | ¥ 9,999         | ¥ 183,986        | ¥ 193,985        |       |
| Finance lease receivables           | Japan              | 67               | 14                  | 6            | 94               | 181             | 9,485            | 9,666            |       |
| Finance lease receivables           | Asia Outside Japan | 359              | 368                 | 183          | 362              | 1,272           | 98,444           | 99,716           |       |
| Long-term trade accounts receivable | Japan              | 834              | 278                 | 145          | 1,515            | 2,772           | 49,215           | 51,987           |       |

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Total ¥ 9,321 ¥ 1,528 ¥ 509 ¥ 2,866 ¥ 14,224 ¥ 341,130 ¥ 355,354

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### **(Nonaccrual)**

Retail finance receivables in North America are placed on nonaccrual status at the earlier of when the contractual principal and interest are determined to be uncollectible or when these receivables become greater than 90 days past the contractual due date. For these receivables on nonaccrual status, interest income is subsequently recognized only to the extent a cash payment is received. These receivables are restored to accrual status as of the date the principal and interest become 90 days or less past the due date. Nonaccrual retail finance receivables in North America at March 31, 2012, and 2011, amounted to ¥802 million and ¥895 million, respectively.

Retail finance receivables in Other Areas, finance lease receivables in Japan and Asia Outside Japan and long-term trade accounts receivable in Japan and Asia outside Japan are not placed on nonaccrual status, but these receivables are charged off against the allowance for doubtful accounts and credit losses when payments due are no longer expected to be received.

### **(Troubled Debt Restructuring and Impaired Loans)**

The amounts of debts restructured or impaired loans were not material for the year ended March 31 2012, 2011, and 2010.

### **Loan Receivables from Affiliated Companies**

The Company finances loans to affiliated companies mainly through group financing and records such loan receivables from affiliated companies at the principal on the consolidated balance sheets. The amounts of these loan receivables from affiliated companies are ¥6,289 million, and ¥234 million at March 31, 2012, and 2011, respectively, and such amounts are recorded in other current assets and investment in and loan receivables from affiliated companies on the consolidated balance sheets. These loans are financed to the affiliated companies which sell farm equipment products in Japan and both the principal and interest have been fully collected by the contractual due date. The Company reviews the credit quality of these loan receivables based on relevant information about the ability of borrowers to service their debt. Since no negative factors in the borrowers' financial condition or collection status of receivables have been identified, these loan receivables are expected to be fully collectible by the Company. The credit risk of these loan receivables is primarily developed from the borrowers' business environment such as market demand of farm equipment products. (See Note 3. INVESTMENTS IN AND LOAN RECEIVABLES FROM AFFILIATED COMPANIES)

### **Other Receivables**

The amounts of other receivables and related allowance were not material for the years ended March 31, 2012, 2011, and 2010.

## **6. ALLOWANCE FOR DOUBTFUL ACCOUNTS AND CREDIT LOSSES**

An allowance for doubtful accounts and credit losses is established to cover probable losses arising from customers' inability to repay by type of receivables and region.

The allowance for doubtful accounts and credit losses on receivables which will probably not be collected is maintained at a level that is adequate to cover probable losses based on a combination of various factors, such as the customer's ability to repay and collateral values. The allowance for smaller-balance homogeneous receivables is collectively evaluated using reserve rates, which are calculated depending on the period past due, reflecting the collection status of these receivables, historical credit loss experience, economic trends and other factors. 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. Loan receivables from affiliated companies are individually evaluated based on the relevant information, such as historical credit loss experience, and economic trends and conditions.

When amounts due are determined to be uncollectible or the related collateral is repossessed, receivables and the related allowance are charged off. Repossessed assets are recorded at their estimated fair value less costs to sell and reported in other current assets on the consolidated balance sheets, which amounted to ¥149 million and ¥216 million at March 31, 2012 and 2011, respectively. Recoveries on receivables previously charged off as uncollectible are credited to the allowance for doubtful accounts and credit losses.



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The following table presents the changes in allowance for doubtful accounts and credit losses:

| <b>(¥ in millions)</b>                                       |                |                |                |  |
|--------------------------------------------------------------|----------------|----------------|----------------|--|
| <b>For the years ended March 31:</b>                         |                |                |                |  |
|                                                              | <b>2012</b>    | <b>2011</b>    | <b>2010</b>    |  |
| <b>Allowance for doubtful notes and accounts receivable:</b> |                |                |                |  |
| Balance at beginning of year                                 | ¥ 2,806        | ¥ 2,821        | ¥ 2,512        |  |
| Provision                                                    | 173            | 300            | 636            |  |
| Charge-offs                                                  | (225)          | (77)           | (46)           |  |
| Other                                                        | (350)          | (238)          | (281)          |  |
| <b>Balance at end of year</b>                                | <b>¥ 2,404</b> | <b>¥ 2,806</b> | <b>¥ 2,821</b> |  |
| <b>Allowance for doubtful non-current receivables:</b>       |                |                |                |  |
| Balance at beginning of year                                 | ¥ 932          | ¥ 770          | ¥ 859          |  |
| Provision (Reversal)                                         | (43)           | 259            | 59             |  |
| Charge-offs                                                  | (13)           | (93)           | (74)           |  |
| Other                                                        | (1)            | (4)            | (74)           |  |
| <b>Balance at end of year</b>                                | <b>¥ 875</b>   | <b>¥ 932</b>   | <b>¥ 770</b>   |  |
| <b>Allowance for credit losses on finance receivables:</b>   |                |                |                |  |
| Balance at beginning of year                                 | ¥ 3,101        | ¥ 1,706        | ¥ 1,586        |  |
| Provision                                                    | 2,268          | 2,304          | 855            |  |
| Charge-offs                                                  | (945)          | (780)          | (327)          |  |
| Other                                                        | (327)          | (129)          | (408)          |  |
| <b>Balance at end of year</b>                                | <b>¥ 4,097</b> | <b>¥ 3,101</b> | <b>¥ 1,706</b> |  |

The following table presents the changes in allowance for doubtful accounts and credit losses and the recorded investments in finance receivables and long-term trade accounts receivable:

| <b>(¥ in millions)</b>                                   |                    |                    |                    |                   |                  |
|----------------------------------------------------------|--------------------|--------------------|--------------------|-------------------|------------------|
| <b>Allowance for doubtful accounts and credit losses</b> | <b>Retail</b>      |                    | <b>Finance</b>     |                   | <b>Long-term</b> |
|                                                          | <b>finance</b>     | <b>Finance</b>     | <b>lease</b>       | <b>trade</b>      | <b>Total</b>     |
|                                                          | <b>receivables</b> | <b>receivables</b> | <b>receivables</b> | <b>accounts</b>   |                  |
| <b>For the year ended March 31, 2012:</b>                |                    |                    |                    |                   |                  |
|                                                          | <b>receivables</b> | <b>receivables</b> | <b>receivables</b> | <b>receivable</b> | <b>Total</b>     |
| Balance at beginning of year                             | ¥ 603              | ¥ 2,498            | ¥ 1,016            | ¥ 4,117           |                  |
| Provision                                                | 621                | 1,647              | 11                 | 2,279             |                  |
| Charge-offs                                              | (473)              | (472)              |                    | (945)             |                  |
| Recoveries                                               | 11                 |                    |                    | 11                |                  |
| Other                                                    | (30)               | (308)              |                    | (338)             |                  |
| <b>Balance at end of year</b>                            | <b>¥ 732</b>       | <b>¥ 3,365</b>     | <b>¥ 1,027</b>     | <b>5,124</b>      |                  |
| Individually evaluated for impairment                    | 404                |                    | 502                | 906               |                  |
| Collectively evaluated for impairment                    | 328                | 3,365              | 525                | 4,218             |                  |
| <b>Recorded Investment at March 31, 2012:</b>            |                    |                    |                    |                   |                  |
| Balance at end of year                                   | ¥ 204,593          | ¥ 111,936          | ¥ 58,310           | ¥ 374,839         |                  |
| Individually evaluated for impairment                    | 404                |                    | 518                | 922               |                  |

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|                                       |         |         |        |         |
|---------------------------------------|---------|---------|--------|---------|
| Collectively evaluated for impairment | 204,189 | 111,936 | 57,792 | 373,917 |
|---------------------------------------|---------|---------|--------|---------|

**Allowance for doubtful accounts and credit losses**

**For the year ended March 31, 2011:**

|                              |   |       |   |       |   |     |   |       |
|------------------------------|---|-------|---|-------|---|-----|---|-------|
| Balance at beginning of year | ¥ | 512   | ¥ | 1,194 | ¥ | 402 | ¥ | 2,108 |
| Provision                    |   | 727   |   | 1,577 |   | 614 |   | 2,918 |
| Charge-offs                  |   | (567) |   | (213) |   |     |   | (780) |
| Other                        |   | (69)  |   | (60)  |   |     |   | (129) |

|                        |   |     |   |       |   |       |   |       |
|------------------------|---|-----|---|-------|---|-------|---|-------|
| Balance at end of year | ¥ | 603 | ¥ | 2,498 | ¥ | 1,016 | ¥ | 4,117 |
|------------------------|---|-----|---|-------|---|-------|---|-------|

|                                       |  |     |  |       |  |     |  |       |
|---------------------------------------|--|-----|--|-------|--|-----|--|-------|
| Individually evaluated for impairment |  | 299 |  |       |  | 19  |  | 318   |
| Collectively evaluated for impairment |  | 304 |  | 2,498 |  | 997 |  | 3,799 |

**Recorded Investment at March 31, 2011:**

|                        |   |         |   |         |   |        |   |         |
|------------------------|---|---------|---|---------|---|--------|---|---------|
| Balance at end of year | ¥ | 193,985 | ¥ | 109,382 | ¥ | 51,987 | ¥ | 355,354 |
|------------------------|---|---------|---|---------|---|--------|---|---------|

|                                       |  |         |  |         |  |        |  |         |
|---------------------------------------|--|---------|--|---------|--|--------|--|---------|
| Individually evaluated for impairment |  | 299     |  |         |  | 39     |  | 338     |
| Collectively evaluated for impairment |  | 193,686 |  | 109,382 |  | 51,948 |  | 355,016 |

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Long-term trade accounts receivable in the table includes the current portion, which is included in trade accounts receivable on the consolidated balance sheets. There were no recoveries of receivables previously charged off as uncollectible for the year ended March 31 2011.

There is no related allowance for loan receivables from affiliated companies for the years ended March 31, 2012, 2011 and 2010.

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**Table of Contents****7. BUSINESS COMBINATION**

On March 13, 2012, the Company acquired 78.95% of the total outstanding shares of Kverneland ASA (hereinafter "Kverneland"), listed on the Oslo Stock Exchange, through a tender offer. The consideration, all in cash, paid for the acquired shares of Kverneland was ¥18,105 million and the acquisition-date fair value of the noncontrolling interest in Kverneland was measured at ¥4,993 million mainly based on the quoted price of share on the Oslo's Stock Exchange.

Kverneland has well-established brands in European regions along with technological competence and a wide range of implement products. The Company expects to realize synergies including development of implements for its existing line of tractors and utilization of each other's sales channels. The Company expects the acquisition to be an important milestone in establishing a significant presence in the agricultural machinery market for dry fields.

Acquisition-related costs of ¥524 million were included in selling, general, and administrative expenses on the consolidated statement of income for the year ended March 31, 2012.

The following table presents the provisional amounts recognized as of the acquisition date for each major class of assets acquired and liabilities assumed, and will be finalized during the year ending March 31, 2013 when the final fair values arising from the assessment of contingencies below are confirmed:

(¥ in millions)

At March 13, 2012:

|                                               |                 |
|-----------------------------------------------|-----------------|
| Current assets                                | ¥ 28,059        |
| Investments and long-term finance receivables | 637             |
| Property, plant, and equipment                | 8,198           |
| Goodwill                                      | 3,966           |
| Intangible assets                             | 12,584          |
| Other assets                                  | 1,950           |
| <b>Total assets acquired</b>                  | <b>¥ 55,394</b> |
| Current liabilities                           | 22,940          |
| Long-term liabilities                         | 9,356           |
| <b>Total liabilities assumed</b>              | <b>¥ 32,296</b> |
| <b>Total net assets acquired</b>              | <b>¥ 23,098</b> |

Trade accounts receivable of ¥7,129 million recorded at fair value is included in current assets in the table above, and the gross contractual amount is ¥7,366 million.

Intangible assets acquired are subject to amortization and mainly consist of customer relationships of ¥6,441 million, technological know-how of ¥3,037 million, and trademarks of ¥1,391 million with weighted-average amortization periods of 13 years, six years, and ten years, respectively. Total weighted-average amortization period for the entire group of intangibles is nine years.

After the acquisition date, a contamination of the ditchwater on the site of a plant was identified. An investigation is currently taking place and so far has found that the ditchwater was contaminated with chlorine compounds, but as of yet the cause or source of the contamination has not been identified. Currently, the Company cannot reasonably estimate the amount or range of its ultimate liability, if any.

The aggregated amount of goodwill is all assigned to the Farm & Industrial Machinery segment and is not deductible for tax purposes.

Revenues or net income from Kverneland and its subsidiaries are not included in the consolidated statements of income for the year ended March 31, 2012.

The pro forma results are not disclosed as the amounts are immaterial.

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**Table of Contents****8. GOODWILL AND INTANGIBLE ASSETS**

The following table presents the components of intangible assets subject to amortization:

|                        | 2012                  |                          |                     | 2011                  |                          |                     |
|------------------------|-----------------------|--------------------------|---------------------|-----------------------|--------------------------|---------------------|
|                        | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| Software               | ¥ 16,292              | ¥ (8,378)                | ¥ 7,914             | ¥ 13,760              | ¥ (7,777)                | ¥ 5,983             |
| Customer relationships | 6,441                 |                          | 6,441               |                       |                          |                     |
| Technological know-how | 3,051                 | (4)                      | 3,047               | 11                    | (3)                      | 8                   |
| Others                 | 4,785                 | (309)                    | 4,476               | 589                   | (265)                    | 324                 |
| <b>Total</b>           | <b>¥ 30,569</b>       | <b>¥ (8,691)</b>         | <b>¥ 21,878</b>     | <b>¥ 14,360</b>       | <b>¥ (8,045)</b>         | <b>¥ 6,315</b>      |

Intangible assets subject to amortization acquired for the year ended March 31, 2012 was ¥17,414 million, which mainly resulted from acquisition of a business (See Note 7. BUSINESS COMBINATION) and software of ¥3,751 million. The amortization periods for the acquired software is mainly five years.

Intangible assets subject to amortization acquired for the year ended March 31, 2011 was ¥1,372 million, which mainly consists of software of ¥1,338 million. The amortization periods for the acquired software is mainly five years.

The amounts of intangible assets not subject to amortization were not material at March 31, 2012 and 2011.

The aggregate amortization expense of intangible assets subject to amortization for the years ended March 31, 2012, 2011, and 2010 are ¥2,009 million, ¥2,313 million, and ¥2109 million, respectively.

The following table presents the estimated aggregate amortization expenses for intangible assets for each of the next five years:

| (¥ in millions)        |         |
|------------------------|---------|
| Years ending March 31: |         |
| 2013                   | ¥ 4,382 |
| 2014                   | 3,316   |
| 2015                   | 2,781   |
| 2016                   | 2,313   |
| 2017                   | 2,114   |

The goodwill is allocated to the reporting unit in which the business that created the goodwill resides, and substantially all of the goodwill resides in Farm and Industrial Machinery segment. The carrying amounts of goodwill in the Farm & Industrial Machinery segment are ¥4,618 million, ¥718 million and ¥711 million at March 31, 2012, 2011, and 2010, respectively.

The changes in the carrying amount of goodwill in Farm & Industrial Machinery segment for the year ended March 31, 2012 is a result of the acquisition of a business (See Note 7. BUSINESS COMBINATION) and the effect of foreign currency exchange rate changes and for the year ended March 31, 2011 is a result of the effect of foreign currency exchange rate changes.

Accumulated impairment losses on goodwill were not recognized for the years ended March 31, 2012, March 31, 2011 or March 31, 2010, respectively.

**9. SHORT-TERM BORROWINGS AND LONG-TERM DEBT**

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Short-term borrowings are comprised of notes payable to banks of ¥63,623 million and commercial paper of ¥6,000 million at March 31, 2012. Short-term borrowings are comprised of notes payable to banks of ¥76,642 million at March 31, 2011.

Stated annual interest rates on short-term borrowings ranged primarily from 0.10% to 5.90% and from 0.47% to 6.10% at March 31, 2012 and 2011, respectively. The weighted average interest rates on such short-term borrowings at March 31, 2012 and 2011 were 0.99% and 1.45%, respectively.

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Available committed lines of credit with certain banks totaled ¥20,000 million both at March 31, 2012 and 2011. The terms of committed lines of credit are one year. The Company had no outstanding borrowings as of March 31, 2012 and 2011 related to committed lines of credit.

Long-term debt is comprised of the following:

(¥ in millions)

| At March 31:                                                                                          | Due in years ending<br>March 31: | 2012             | 2011             |
|-------------------------------------------------------------------------------------------------------|----------------------------------|------------------|------------------|
| <b>Unsecured bonds (interest rate):</b>                                                               |                                  |                  |                  |
| Yen notes (floating rate 0.70%)                                                                       | 2012                             | ¥                | ¥ 4,000          |
| Yen notes (floating rate 0.70%)                                                                       | 2013                             | 4,000            | 4,000            |
| Yen notes (floating rate 0.69%)                                                                       | 2013                             | 2,000            | 2,000            |
| Yen notes (floating rate 0.45%)                                                                       | 2013                             | 5,000            | 5,000            |
| NOK notes (floating rate 9.68%)                                                                       | 2013                             | 4,597            |                  |
| SEK notes (fixed rate 9.32%)                                                                          | 2013                             | 1,237            |                  |
| U.S.\$ notes (floating rate 1.00%)                                                                    | 2013                             | 3,896            | 4,050            |
| Yen notes (fixed rate 1.54%)                                                                          | 2013                             | 10,000           | 10,000           |
| Yen notes (fixed rate 1.27%)                                                                          | 2013                             | 10,000           | 10,000           |
| Yen notes (fixed rate 1.53%)                                                                          | 2015                             | 10,000           | 10,000           |
| U.S.\$ notes (floating rate 0.55%)                                                                    | 2015                             | 3,892            |                  |
| U.S.\$ notes (floating rate 0.72%)                                                                    | 2016                             | 3,885            |                  |
| U.S.\$ notes (floating rate 0.82%)                                                                    | 2016                             | 2,719            |                  |
| <b>Loans, principally from banks and insurance companies, maturing on various dates through 2020:</b> |                                  |                  |                  |
| Collateralized                                                                                        |                                  | 30,999           | 17,322           |
| Unsecured                                                                                             |                                  | 196,047          | 207,826          |
| <b>Capital lease obligations</b>                                                                      |                                  | <b>3,340</b>     | <b>3,118</b>     |
| <b>Total</b>                                                                                          |                                  | <b>291,612</b>   | <b>277,316</b>   |
| Less: current portion                                                                                 |                                  | (107,210)        | (85,556)         |
|                                                                                                       |                                  | <b>¥ 184,402</b> | <b>¥ 191,760</b> |

Both fixed and floating rates were included in the interest rates of the long-term loans from banks and insurance companies. The weighted average rates at March 31, 2012 and 2011 were 1.68% and 1.82%, respectively.

The following table presents the annual maturities of long-term debt at March 31, 2012:

(¥ in millions)

| Years ending March 31: |                  |
|------------------------|------------------|
| 2013                   | ¥ 107,210        |
| 2014                   | 58,800           |
| 2015                   | 76,941           |
| 2016                   | 28,828           |
| 2017                   | 19,045           |
| 2018 and thereafter    | 788              |
| <b>Total</b>           | <b>¥ 291,612</b> |

Assets pledged as collateral are comprised of the following:



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(¥ in millions)

At March 31:

|                                    | 2012         | 2011         |
|------------------------------------|--------------|--------------|
| Trade accounts receivable          | ¥            | ¥ 1,403      |
| Short-term finance receivables     | 14,716       | 8,575        |
| Other current assets <sup>*1</sup> | 273          | 162          |
| Long-term finance receivables      | 20,688       | 10,871       |
| Property, plant, and equipment     | 1,749        | 6,100        |
| <br>Total                          | <br>¥ 37,426 | <br>¥ 27,111 |

\*1 Other current assets represent the restricted cash which is pledged as collateral in accordance with the terms of borrowing.

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The above assets were pledged against the following liabilities:

| (¥ in millions)                   | 2012         | 2011         |
|-----------------------------------|--------------|--------------|
| <b>At March 31:</b>               |              |              |
| Short-term borrowings             | ¥ 669        | ¥ 4,710      |
| Current portion of long-term debt | 12,800       | 7,345        |
| Long-term debt                    | 18,199       | 9,977        |
| <br>Total                         | <br>¥ 31,668 | <br>¥ 22,032 |

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 the borrowings including negative pledges, rating trigger and minimum net worth. The rating trigger states that the Company shall keep or be higher than the BBB rating by Rating and Investment Information, Inc. The minimum net worth covenant states that total equity be maintained at more than ¥477.0 billion on the consolidated financial statement basis and more than ¥303.1 billion on the separate financial statement basis (the parent company's). The Company is in compliance with these restrictive covenants at March 31, 2012.

**10. RETIREMENT AND PENSION PLANS**

The parent company and most subsidiaries mainly in Japan have defined benefit pension plans and/or severance indemnity plans covering substantially all of their employees. In the parent company and certain subsidiaries, employees who terminate their employment have the option to receive benefits in the form of a lump-sum payment or annuity payments from defined benefit pension plans. The benefits are mainly calculated based on accumulated points under the point-based benefits system. The points consist of service period points which are attributed to the length of service, job title points which are attributed to the job title of each employee, and performance points which are attributed to the annual performance evaluation of each employee.

Certain subsidiaries have defined contribution pension plans covering most of their employees.

**Funded Status**

The following table presents the funded status and the amounts recognized in the consolidated balance sheets:

| (¥ in millions)                                               | 2012           | 2011           |
|---------------------------------------------------------------|----------------|----------------|
| <b>At March 31:</b>                                           |                |                |
| <b>Funded status:</b>                                         |                |                |
| Benefit obligations                                           | ¥ 180,868      | ¥ 165,637      |
| Fair value of plan assets                                     | 138,986        | 130,437        |
| <br>Funded status-net                                         | <br>¥ (41,882) | <br>¥ (35,200) |
| <b>Amounts recognized in the consolidated balance sheets:</b> |                |                |
| Accrued retirement and pension costs                          | ¥ (41,882)     | ¥ (35,285)     |
| Prepaid expenses for benefit plans, included in other assets  |                | 85             |
| <br>Amounts recognized in the consolidated balance sheets-net | <br>¥ (41,882) | <br>¥ (35,200) |



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The following table presents the amounts recognized in accumulated other comprehensive income (loss), before tax:

| (¥ in millions)                                                                      | 2012              | 2011              |
|--------------------------------------------------------------------------------------|-------------------|-------------------|
| <b>At March 31:</b>                                                                  |                   |                   |
| Actuarial loss                                                                       | ¥ (39,794)        | ¥ (28,344)        |
| Prior service benefit                                                                | 2,820             | 3,628             |
| <b>Total recognized in accumulated other comprehensive income (loss), before tax</b> | <b>¥ (36,974)</b> | <b>¥ (24,716)</b> |

The following table presents the projected benefit obligations and the fair value of plan assets for the pension plans with projected benefit obligations in excess of plan assets, and the accumulated benefit obligations and the fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets:

| (¥ in millions)                                                             | 2012      | 2011      |
|-----------------------------------------------------------------------------|-----------|-----------|
| <b>At March 31:</b>                                                         |           |           |
| <b>Plans with projected benefit obligations in excess of plan assets:</b>   |           |           |
| Projected benefit obligations                                               | ¥ 180,868 | ¥ 163,060 |
| Fair value of plan assets                                                   | 138,986   | 127,775   |
| <b>Plans with accumulated benefit obligations in excess of plan assets:</b> |           |           |
| Accumulated benefit obligations                                             | ¥ 175,419 | ¥ 161,322 |
| Fair value of plan assets                                                   | 135,314   | 126,380   |

**Benefit Obligations**

The following table presents the changes in benefit obligations, the balances of accumulated benefit obligations, and the weighted-average assumptions used in calculating benefit obligation:

| (¥ in millions)                                                                                       | 2012             | 2011             |
|-------------------------------------------------------------------------------------------------------|------------------|------------------|
| <b>Change in benefit obligations:</b>                                                                 |                  |                  |
| Benefit obligations at beginning of year                                                              | ¥ 165,637        | ¥ 168,974        |
| Service cost                                                                                          | 6,584            | 6,117            |
| Interest cost                                                                                         | 3,589            | 3,315            |
| Actuarial loss (gain)                                                                                 | 11,979           | (831)            |
| Benefits paid (lump-sum payments)                                                                     | (7,444)          | (7,226)          |
| Benefits paid (annuity payments)                                                                      | (4,493)          | (4,349)          |
| Addition from acquisition                                                                             | 5,464            |                  |
| Foreign currency exchange rate changes                                                                | (448)            | (363)            |
| <b>Benefit obligations at end of year</b>                                                             | <b>¥ 180,868</b> | <b>¥ 165,637</b> |
| <b>Accumulated benefit obligations at March 31</b>                                                    | <b>¥ 178,525</b> | <b>¥ 164,942</b> |
| <b>Weighted-average assumptions used in calculating benefit obligation at March 31 <sup>*1</sup>:</b> |                  |                  |
| Discount rate                                                                                         | 2.2%             | 2.6%             |

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\*1 The rate of compensation increase is not used in the calculations of benefit obligations under the point-based benefits system.

**Plan Assets**

The following table presents the changes in plan assets:

| (¥ in millions)                                | 2012      | 2011      |
|------------------------------------------------|-----------|-----------|
| <b>For the years ended March 31:</b>           |           |           |
| Fair value of plan assets at beginning of year | ¥ 130,437 | ¥ 129,156 |
| Actual return on plan assets                   | 1,933     | (2,694)   |
| Employer contributions                         | 13,741    | 13,427    |
| Benefits paid (lump-sum payments)              | (5,048)   | (4,763)   |
| Benefits paid (annuity payments)               | (4,493)   | (4,349)   |
| Addition from acquisition                      | 2,672     |           |
| Foreign currency exchange rate changes         | (256)     | (340)     |
| Fair value of plan assets at end of year       | ¥ 138,986 | ¥ 130,437 |

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The Company's policy and objective for plan asset management is to maximize returns on plan assets to meet future benefit payment requirements under risks which the Company considers permissible. To mitigate any potential concentration risk, careful consideration is given to balancing the portfolio among industry sectors, companies and geographies, taking into account interest rate sensitivity, dependence on economic growth, currency and other factors that affect investment returns. The Company's target allocation is 31% equity securities, 50% debt securities, and 19% other investment vehicles, mainly consisting of cash and short-term investments and the general accounts of insurance company.

A large portion of the plan assets is managed by trust banks and investment advisors. Those fund managers are bound by the Company's plan asset management guidelines which are established to achieve the optimized asset compositions in terms of the long-term overall plan asset management, and are measured against specific benchmarks.

To measure the performance of the plan asset management, the Company establishes benchmark return rates for each individual investment, combines these individual benchmark rates based on the asset composition ratios within each asset category, and compares the combined rates with the corresponding actual return rates on each asset category.

The following table presents the fair value of plan assets by category:

| (¥ in millions)<br>At March 31                  | Level 1  | Level 2   | Level 3 | Total     |
|-------------------------------------------------|----------|-----------|---------|-----------|
| <b>2012:</b>                                    |          |           |         |           |
| Equity securities:                              |          |           |         |           |
| Financial institutions (Japanese companies)     | ¥ 5,448  | ¥         | ¥       | ¥ 5,448   |
| Other industries (Japanese companies)           | 4,723    |           |         | 4,723     |
| Pooled funds (Japanese companies) <sup>*1</sup> |          | 14,030    |         | 14,030    |
| Pooled funds (foreign companies) <sup>*1</sup>  |          | 22,203    |         | 22,203    |
| Debt securities:                                |          |           |         |           |
| Pooled funds (Japanese issuers) <sup>*2</sup>   |          | 50,604    |         | 50,604    |
| Pooled funds (foreign issuers) <sup>*3</sup>    |          | 13,638    |         | 13,638    |
| Cash and short-term investments                 | 1,166    | 1,526     |         | 2,692     |
| General accounts of insurance company           |          | 25,293    |         | 25,293    |
| Other assets <sup>*4</sup>                      |          | 186       | 169     | 355       |
| Fair value of plan assets                       | ¥ 11,337 | ¥ 127,480 | ¥ 169   | ¥ 138,986 |
| <b>2011:</b>                                    |          |           |         |           |
| Equity securities:                              |          |           |         |           |
| Financial institutions (Japanese companies)     | ¥ 5,318  | ¥         | ¥       | ¥ 5,318   |
| Other industries (Japanese companies)           | 4,390    |           |         | 4,390     |
| Pooled funds (Japanese companies) <sup>*1</sup> |          | 19,054    |         | 19,054    |
| Pooled funds (foreign companies) <sup>*1</sup>  |          | 22,639    |         | 22,639    |
| Debt securities:                                |          |           |         |           |
| Pooled funds (Japanese issuers) <sup>*2</sup>   |          | 61,575    |         | 61,575    |
| Pooled funds (foreign issuers) <sup>*3</sup>    |          | 11,766    |         | 11,766    |
| Cash and short-term investments                 | 1,084    | 2,168     |         | 3,252     |
| General accounts of insurance company           |          | 1,923     |         | 1,923     |
| Other assets <sup>*4</sup>                      |          | 204       | 316     | 520       |
| Fair value of plan assets                       | ¥ 10,792 | ¥ 119,329 | ¥ 316   | ¥ 130,437 |

<sup>\*1</sup> These funds are invested in listed equity securities.

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- \*2 These funds are invested in approximately 88% Japanese government and municipal bonds and 12% Japanese corporate bonds at March 31, 2012, and 85% Japanese government and municipal bonds and 15% Japanese corporate bonds at March 31, 2011.
- \*3 These funds are invested in foreign government bonds.
- \*4 This class includes the pooled funds which invest in private equity.

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Plan assets are categorized by level based on the inputs used to measure the fair value of each asset.

The equity securities of financial institutions and other industries are valued at the closing price reported on the stock exchange on which the individual securities are traded. Pooled funds and the general accounts of insurance company are typically valued using the net asset value per share ( NAV ) provided by the administrator of the fund or insurance company. The NAV is based on the value of the underlying assets owned by the fund or insurance company, minus liabilities and divided by the number of shares or units outstanding. Cash and short-term investments are valued at their cost plus imputed interest. These assets were classified as Level 1 or Level 2, depending on availability of quoted market prices.

The ending balance of, and the change in, the other assets categorized as Level 3 were not material for the year ended March 31, 2012 and 2011.

**Net Periodic Benefit Cost**

The following table presents the components of the total net periodic benefit cost for the defined benefit pension plans and the severance indemnity plans:

| (¥ in millions)                       |                |                |                 |
|---------------------------------------|----------------|----------------|-----------------|
| For the years ended March 31:         | 2012           | 2011           | 2010            |
| <b>Net periodic benefit cost:</b>     |                |                |                 |
| Service cost                          | ¥ 6,584        | ¥ 6,117        | ¥ 5,933         |
| Interest cost                         | 3,589          | 3,315          | 3,646           |
| Expected return on plan assets        | (2,657)        | (2,585)        | (2,200)         |
| Amortization of prior service benefit | (808)          | (808)          | (808)           |
| Amortization of actuarial loss        | 693            | 472            | 9,611           |
| <b>Total</b>                          | <b>¥ 7,401</b> | <b>¥ 6,511</b> | <b>¥ 16,182</b> |

**Weighted-average assumptions used in calculating net periodic benefit cost <sup>\*1</sup> :**

|                                                  |      |      |      |
|--------------------------------------------------|------|------|------|
| Expected long-term rate of return on plan assets | 2.5% | 2.5% | 2.5% |
| Discount rate                                    | 2.6% | 2.4% | 2.5% |

<sup>\*1</sup> The rate of compensation increase is not used in the calculations of net periodic benefit cost under the point-based benefits system. The amortization of actuarial loss of ¥9,611 million for the year ended March 31, 2010 contained the immediate recognition amount of net actuarial losses in excess of 20% of the projected benefit obligation. This actuarial loss was derived from significant decline in the fair values of plan assets during the years ended March 31, 2009 and 2008 due to financial crisis.

The expected long-term 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.

The following table presents the amounts recognized in other comprehensive income (loss), before tax, and the reclassification adjustments for the loss (benefit) realized in net income, before tax:

| (¥ in millions)                                                              |                   |                  |                 |
|------------------------------------------------------------------------------|-------------------|------------------|-----------------|
| For the years ended March 31:                                                | 2012              | 2011             | 2010            |
| Actuarial gain (loss) recognized in other comprehensive income               | ¥ (12,529)        | ¥ (4,602)        | ¥ 7,712         |
| Reclassification adjustment for prior service benefit realized in net income | (808)             | (808)            | (808)           |
| Reclassification adjustment for actuarial loss realized in net income        | 693               | 472              | 9,611           |
| <b>Net recognized in other comprehensive income (loss), before tax</b>       | <b>¥ (12,644)</b> | <b>¥ (4,938)</b> | <b>¥ 16,515</b> |



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The following table presents the estimated prior service benefit and actuarial loss that will be amortized from accumulated other comprehensive income into net periodic benefit cost for the year ending March 31, 2013:

|                            |         |
|----------------------------|---------|
| <b>(¥ in millions)</b>     |         |
| Prior service benefit      | ¥ (808) |
| Actuarial loss             | 6,092   |
| <b>Expected Cash Flows</b> |         |

The Company estimates contributions to its defined benefit pension plans for the year ending March 31, 2013, to be approximately ¥14,300 million.

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The following table presents the total expected benefit payments to the participants of the defined benefit pension plans and the severance indemnity plans:

(¥ in millions)

Years ending March 31:

|           |          |
|-----------|----------|
| 2013      | ¥ 12,341 |
| 2014      | 11,921   |
| 2015      | 11,734   |
| 2016      | 11,462   |
| 2017      | 11,725   |
| 2018-2022 | 47,748   |

**11. 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 perform 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. Otherwise, it is combined with the original contract. Additional contract revenue arising from any claims for customer-caused overruns or delays is recognized when the contract modification is approved by the customer. 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 in the fiscal year in which those revisions are determined. A disclosure is made of the effect of such revisions in the financial statements, if significant.

The following table details the notes receivable and accounts receivable related to the long-term contracts accounted for under the percentage of completion method, by maturities:

(¥ in millions)

|                     | 2012                |           |                 | 2011                |           |                 |
|---------------------|---------------------|-----------|-----------------|---------------------|-----------|-----------------|
|                     | Less than<br>1 year | 1-2 years | Over<br>2 years | Less than<br>1 year | 1-2 years | Over<br>2 years |
| At March 31:        |                     |           |                 |                     |           |                 |
| Notes receivable    | ¥ 633               | ¥         | ¥               | ¥ 241               | ¥         | ¥               |
| Accounts receivable | 11,407              | 1,856     | 2               | 12,553              | 789       |                 |
|                     | ¥ 12,040            | ¥ 1,856   | ¥ 2             | ¥ 12,794            | ¥ 789     | ¥               |

A large portion of such receivables have already been billed to customers. The total aggregated amounts which had not been billed or were not billable were not material at March 31, 2012 and 2011. The total aggregated amounts subject to uncertainty were not material.

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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, 2012 and 2011.

**12. INCOME TAXES**

Income before income taxes and equity in net income of affiliated companies and income taxes are comprised of the following:

| (¥ in millions)                                                                     |   |                  |                 |                 |
|-------------------------------------------------------------------------------------|---|------------------|-----------------|-----------------|
| For the years ended March 31:                                                       |   | 2012             | 2011            | 2010            |
| <b>Income before income taxes and equity in net income of affiliated companies:</b> |   |                  |                 |                 |
| Domestic                                                                            | ¥ | 63,429           | ¥ 54,306        | ¥ 42,208        |
| Foreign                                                                             |   | 37,509           | 36,994          | 31,275          |
| <b>Total</b>                                                                        |   | <b>¥ 100,938</b> | <b>¥ 91,300</b> | <b>¥ 73,483</b> |
| <b>Income taxes:</b>                                                                |   |                  |                 |                 |
| Current                                                                             |   |                  |                 |                 |
| Domestic                                                                            | ¥ | 23,932           | ¥ 12,312        | ¥ 16,462        |
| Foreign                                                                             |   | 11,662           | 14,825          | 12,078          |
|                                                                                     |   | 35,594           | 27,137          | 28,540          |
| Deferred                                                                            |   |                  |                 |                 |
| Domestic                                                                            |   | 1,278            | 6,142           | (2,090)         |
| Foreign                                                                             |   | (324)            | (2,595)         | (473)           |
|                                                                                     |   | 954              | 3,547           | (2,563)         |
| <b>Total</b>                                                                        |   | <b>¥ 36,548</b>  | <b>¥ 30,684</b> | <b>¥ 25,977</b> |

A reconciliation of the differences between the Japanese statutory tax rate and the effective tax rate is as follows:

| For the years ended March 31:                                                                                              | 2012         | 2011         | 2010         |
|----------------------------------------------------------------------------------------------------------------------------|--------------|--------------|--------------|
| Normal Japanese statutory tax rates applied to income before income taxes and equity in net income of affiliated companies | 40.6%        | 40.6%        | 40.6%        |
| Increase (decrease) in taxes resulting from:                                                                               |              |              |              |
| Decrease in valuation allowance                                                                                            | (0.5)        | (0.6)        | (0.2)        |
| Permanently nondeductible expenses                                                                                         | 0.3          | 0.3          | 0.4          |
| Nontaxable dividend income                                                                                                 | (0.5)        | (0.5)        | (0.4)        |
| Extra tax deduction on expenses for research and development                                                               | (2.4)        | (2.3)        | (2.8)        |
| Difference in statutory tax rates of foreign subsidiaries                                                                  | (0.9)        | (2.0)        | (1.7)        |
| Other net                                                                                                                  | (0.4)        | (1.9)        | (0.5)        |
| <b>Effective income tax rates applied to income before income taxes and equity in net income of affiliated companies</b>   | <b>36.2%</b> | <b>33.6%</b> | <b>35.4%</b> |

Deferred tax assets and liabilities are included in the consolidated balance sheets as follows:

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(¥ in millions)

At March 31:

|                             | 2012     | 2011     |
|-----------------------------|----------|----------|
| Other current assets        | ¥ 31,853 | ¥ 28,884 |
| Other assets                | 7,179    | 5,814    |
| Other current liabilities   | (293)    | (1)      |
| Other long-term liabilities | (7,228)  | (2,648)  |
| Net deferred tax assets     | ¥ 31,511 | ¥ 32,049 |

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The significant components of deferred tax assets and liabilities are as follows:

| (¥ in millions)                                            |  |          |          |
|------------------------------------------------------------|--|----------|----------|
| At March 31:                                               |  | 2012     | 2011     |
| <b>Deferred tax assets:</b>                                |  |          |          |
| Allowance for doubtful accounts and credit losses          |  | ¥ 1,160  | ¥ 1,465  |
| Intercompany profits                                       |  | 8,428    | 7,786    |
| Adjustment of investment securities                        |  | 7,571    | 8,273    |
| Write-downs of inventories and fixed assets                |  | 1,820    | 1,708    |
| Accrued bonus                                              |  | 5,745    | 6,000    |
| Retirement and pension costs                               |  | 16,684   | 17,197   |
| Tax loss and credit carryforwards                          |  | 6,599    | 3,287    |
| Other temporary differences                                |  | 25,422   | 21,661   |
| Gross deferred tax assets                                  |  | 73,429   | 67,377   |
| Less: valuation allowance                                  |  | (3,900)  | (986)    |
| Net deferred tax assets                                    |  | ¥ 69,529 | ¥ 66,391 |
| <b>Deferred tax liabilities:</b>                           |  |          |          |
| Adjustment of investment securities                        |  | ¥ 20,646 | ¥ 22,605 |
| Unremitted earnings of foreign subsidiaries and affiliates |  | 8,755    | 8,237    |
| Other temporary differences                                |  | 8,617    | 3,500    |
| Gross deferred tax liabilities                             |  | ¥ 38,018 | ¥ 34,342 |

Due to the revision of the tax law during the year ended March 31, 2012, the normal tax rate used in the calculation of deferred tax assets and deferred tax liabilities was decreased from 40.6% to 38.0% for deferred tax assets and liabilities to be realized or settled from April 1, 2012 to March 31, 2015, and to 35.6% for those to be realized or settled after April 1, 2015. The revision resulted in a decrease of net deferred tax assets and an increase of income taxes-deferred by ¥386 million.

Deferral of income taxes relating to intercompany profits of ¥8,428 million and ¥7,786 million at March 31, 2012 and 2011 included in the above table is accounted for in accordance with ASC 810, Consolidation. The movement of ¥642 million, ¥303 million and ¥1,362 million for the years ended March 31, 2012, 2011, and 2010 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 ASC 740, Income Taxes were ¥61,101 million and ¥58,605 million at March 31, 2012 and 2011, 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 following table presents the reconciliation of the beginning and ending balances of the valuation allowance:

| (¥ in millions)               |  |         |         |         |
|-------------------------------|--|---------|---------|---------|
| For the years ended March 31: |  | 2012    | 2011    | 2010    |
| Balance at beginning of year  |  | ¥ 986   | ¥ 1,509 | ¥ 1,631 |
| Addition                      |  | 753     | 447     | 391     |
| Deduction                     |  | (905)   | (970)   | (513)   |
| Addition from acquisition     |  | 3,066   |         |         |
| Balance at end of year        |  | ¥ 3,900 | ¥ 986   | ¥ 1,509 |

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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, 2012.

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At March 31, 2012, the tax loss carryforwards which are available to offset future taxable income in the aggregate amounted to ¥ 20,560 million, ¥9,290 million of which will expire in the period from 2013 through 2021, while ¥11,270 million of which has no limitation.

The following table presents the reconciliation of unrecognized tax benefits:

| (¥ in millions)                                       | 2012           | 2011         | 2010         |
|-------------------------------------------------------|----------------|--------------|--------------|
| <b>For the years ended March 31:</b>                  |                |              |              |
| Balance at beginning of year                          | ¥ 223          | ¥ 200        | ¥ 6,759      |
| Gross increase for tax positions taken in prior years | 1,639          | 87           | 26           |
| Gross decrease for tax positions taken in prior years |                | (9)          | (2,029)      |
| Settlements                                           | (118)          | (8)          | (4,534)      |
| Lapse of statute of limitations                       |                | (19)         | (27)         |
| Other                                                 | (7)            | (28)         | 5            |
| <b>Balance at end of year</b>                         | <b>¥ 1,737</b> | <b>¥ 223</b> | <b>¥ 200</b> |

The total amount of unrecognized tax benefits that would affect the effective tax rate, if recognized, is not material at March 31, 2012, 2011, and 2010.

Based on the information available as of March 31, 2012, it is reasonably possible that the majority of unrecognized tax benefits will decrease in the next 12 months; however the Company expects that change is not material.

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, 2012, and 2011, and interest and penalties included in income taxes for the years ended March 31, 2012, 2011, and 2010, were 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 the U.S. and Japan. The Company accrued an estimated additional tax payment to the NTA of ¥6,500 million in other long-term liabilities at March 31, 2009 and recognized an estimated tax refund from the IRS of ¥4,647 million in other assets at March 31, 2009.

The Company accrued a tax payment to the NTA of ¥4,534 million in income taxes payable and recognized a tax refund from the IRS of ¥2,807 million in other current assets at March 31, 2010 by settling the related unrecognized tax benefits due to the expiration of the period covered by the APA. This difference between estimates and actual results is included in Gross decrease for tax positions taken in prior year in the above table.

The Company files income tax returns in Japan, the U.S., and various foreign tax jurisdictions, and their open tax years vary across countries. At March 31, 2012, 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, 2010 in Japan, and for the years on or before December 31, 2007 in the U.S. While the tax authority could conduct a transfer pricing examination for the years on and after April 1, 2006, the intercompany transactions between related parties in the U.S. and Japan for the years on or before March 31, 2010 are less likely to be subject to a tax examination since the Advance Pricing Agreement between the U.S. and Japan has been agreed. Also, the Advance Pricing Agreement between the U.S. and Japan for March 31, 2012 and 2011 is under a renewal process.

**Table of Contents****13. SHAREHOLDERS EQUITY****Dividends**

The Corporate Law of Japan (the Corporate Law) permits companies to pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution of the shareholders meeting. Semiannual interim dividends may also be paid once a year upon resolution of the Board of Directors if the articles of incorporation of the companies so stipulate. 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, (4) the term of service of the directors is one year rather than two years of normal term, and (5) prescribing that the Board of Directors may declare dividends in its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind). The Company meets all the above criteria.

The Corporate Law also provides certain limitations on the amounts available for dividends. Under the Corporate Law, the amount available for dividends is based on other retained earnings, less treasury stock, as recorded on the books of the parent company. At March 31, 2012, other retained earnings, less treasury stock, recorded on the parent company's books of account were ¥ 225,295 million.

**Purchase of Treasury Stock**

The Corporate Law also provides for companies to purchase treasury stock. Companies may purchase its treasury stock through market transactions by resolution of the Board of Directors if companies have prescribed so in its articles of incorporation. The Company meets this condition. The same limitations as dividends exist in the amount available for this purchase of treasury stock.

**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 additional paid-in capital or as a legal reserve depending on the equity account charged upon the payment of such dividends until the total of additional paid-in capital and legal reserve 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, capital surplus, legal reserve, and other retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders meeting.

**Accumulated Other Comprehensive Income (Loss)**

The following table presents the components of accumulated other comprehensive loss, net of taxes:

| (¥ in millions)                                   | 2012              | 2011              |
|---------------------------------------------------|-------------------|-------------------|
| <b>At March 31:</b>                               |                   |                   |
| Foreign currency translation adjustments          | ¥ (76,476)        | ¥ (65,689)        |
| Unrealized gains on securities                    | 19,112            | 15,922            |
| Unrealized losses on derivatives                  | (256)             | (787)             |
| Pension liability adjustments                     | (22,922)          | (14,827)          |
| <b>Total accumulated other comprehensive loss</b> | <b>¥ (80,542)</b> | <b>¥ (65,381)</b> |



**Table of Contents****Effects of Changes in Ownership Interests in Subsidiaries**

The following table presents the effects of changes in Kubota Corporation's ownership interests in its subsidiaries on Kubota Corporation shareholders' equity:

(¥ in millions)

| For the years ended March 31:                                                                          | 2012     | 2011     | 2010     |
|--------------------------------------------------------------------------------------------------------|----------|----------|----------|
| Net income attributable to Kubota Corporation                                                          | ¥ 61,552 | ¥ 54,822 | ¥ 42,326 |
| <b>Transfers from (to) the noncontrolling interests:</b>                                               |          |          |          |
| Increase in capital surplus for purchases of noncontrolling interests                                  | 319      | 425      | 125      |
| Decrease in capital surplus for purchases of noncontrolling interests                                  | (724)    | (726)    | (3,828)  |
| Increase in capital surplus for changes in ownership interests in subsidiaries from other transactions | 124      | 199      |          |
| Decrease in capital surplus for changes in ownership interests in subsidiaries from other transactions | (25)     |          | (206)    |
| Net transfers to the noncontrolling interests                                                          | (306)    | (102)    | (3,909)  |
| Change from net income attributable to Kubota Corporation and transfer to noncontrolling interests     | ¥ 61,246 | ¥ 54,720 | ¥ 38,417 |

**14. OTHER COMPREHENSIVE INCOME (LOSS)**

The following table presents the components of other comprehensive income (loss), including reclassification adjustments and tax effects:

(¥ in millions)

| For the years ended March 31:                                         | 2012                 |                             |                      | 2011                 |                             |                      | 2010                 |                             |                      |
|-----------------------------------------------------------------------|----------------------|-----------------------------|----------------------|----------------------|-----------------------------|----------------------|----------------------|-----------------------------|----------------------|
|                                                                       | Before-tax<br>Amount | Tax<br>Benefit<br>(Expense) | Net-of-tax<br>Amount | Before-tax<br>Amount | Tax<br>Benefit<br>(Expense) | Net-of-tax<br>Amount | Before-tax<br>Amount | Tax<br>Benefit<br>(Expense) | Net-of-tax<br>Amount |
| <b>Foreign currency translation adjustments:</b>                      |                      |                             |                      |                      |                             |                      |                      |                             |                      |
| Foreign currency translation adjustments arising during period        | ¥ (13,386)           | ¥ 27                        | ¥ (13,359)           | ¥ (26,930)           | ¥ 548                       | ¥ (26,382)           | ¥ 8,248              | ¥ 2                         | ¥ 8,250              |
| Reclassification adjustment for losses (gains) realized in net income | (13,386)             | 27                          | (13,359)             | (26,930)             | 548                         | (26,382)             | 8,248                | 2                           | 8,250                |
| <b>Unrealized gains (losses) on securities:</b>                       |                      |                             |                      |                      |                             |                      |                      |                             |                      |
| Unrealized gains (losses) on securities arising during period         | 1,886                | 18                          | 1,904                | (5,536)              | 2,245                       | (3,291)              | 21,476               | (8,718)                     | 12,758               |
| Reclassification adjustment for losses (gains) realized in net income | 2,043                | (727)                       | 1,316                | (3,087)              | 1,253                       | (1,834)              | (1,678)              | 681                         | (997)                |
|                                                                       | 3,929                | (709)                       | 3,220                | (8,623)              | 3,498                       | (5,125)              | 19,798               | (8,037)                     | 11,761               |
| <b>Unrealized gains (losses) on derivatives:</b>                      |                      |                             |                      |                      |                             |                      |                      |                             |                      |
| Unrealized gains (losses) on derivatives arising during period        | 101                  | (39)                        | 62                   | (662)                | 228                         | (434)                | (1,310)              | 472                         | (838)                |

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|                                                                                               |                   |                |                   |                   |                |                   |                 |                   |                 |
|-----------------------------------------------------------------------------------------------|-------------------|----------------|-------------------|-------------------|----------------|-------------------|-----------------|-------------------|-----------------|
| Reclassification adjustments for losses realized in net income (gains) realized in net income | 771               | (295)          | 476               | 1,888             | (650)          | 1,238             | 2,179           | (785)             | 1,394           |
|                                                                                               | 872               | (334)          | 538               | 1,226             | (422)          | 804               | 869             | (313)             | 556             |
| <b>Pension liability adjustments:</b>                                                         |                   |                |                   |                   |                |                   |                 |                   |                 |
| Pension liability adjustments arising during period                                           | (12,529)          | 4,242          | (8,287)           | (4,602)           | 1,722          | (2,880)           | 7,712           | (3,133)           | 4,579           |
| Reclassification adjustment for losses (gains) realized in net income                         | (115)             | 41             | (74)              | (336)             | 136            | (200)             | 8,803           | (3,574)           | 5,229           |
|                                                                                               | (12,644)          | 4,283          | (8,361)           | (4,938)           | 1,858          | (3,080)           | 16,515          | (6,707)           | 9,808           |
| <b>Other comprehensive income (loss)</b>                                                      | <b>¥ (21,229)</b> | <b>¥ 3,267</b> | <b>¥ (17,962)</b> | <b>¥ (39,265)</b> | <b>¥ 5,482</b> | <b>¥ (33,783)</b> | <b>¥ 45,430</b> | <b>¥ (15,055)</b> | <b>¥ 30,375</b> |

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The following table presents the components of other comprehensive income (loss) attributable to Kubota Corporation and noncontrolling interests:

| For the years ended March 31:            | 2012               |                           |                   | 2011               |                           |                   | 2010               |                           |                 |
|------------------------------------------|--------------------|---------------------------|-------------------|--------------------|---------------------------|-------------------|--------------------|---------------------------|-----------------|
|                                          | Kubota Corporation | Non-controlling Interests | Total             | Kubota Corporation | Non-controlling Interests | Total             | Kubota Corporation | Non-controlling Interests | Total           |
| Foreign currency translation adjustments | ¥ (10,743)         | ¥ (2,616)                 | ¥ (13,359)        | ¥ (23,294)         | ¥ (3,088)                 | ¥ (26,382)        | ¥ 6,408            | ¥ 1,842                   | ¥ 8,250         |
| Unrealized gains (losses) on securities  | 3,190              | 30                        | 3,220             | (5,128)            | 3                         | (5,125)           | 11,728             | 33                        | 11,761          |
| Unrealized gains (losses) on derivatives | 531                | 7                         | 538               | 805                | (1)                       | 804               | 570                | (14)                      | 556             |
| Pension liability adjustments            | (8,095)            | (266)                     | (8,361)           | (3,093)            | 13                        | (3,080)           | 9,723              | 85                        | 9,808           |
| <b>Other comprehensive income (loss)</b> | <b>¥ (15,117)</b>  | <b>¥ (2,845)</b>          | <b>¥ (17,962)</b> | <b>¥ (30,710)</b>  | <b>¥ (3,073)</b>          | <b>¥ (33,783)</b> | <b>¥ 28,429</b>    | <b>¥ 1,946</b>            | <b>¥ 30,375</b> |

**15. DERIVATIVE FINANCIAL INSTRUMENTS****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, foreign currency option contracts (collectively foreign exchange contracts), cross-currency swap contracts, and cross-currency interest rate swap contracts which are 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 9. 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, interest rate swap contracts and cross-currency interest rate swap contracts depend on whether derivatives are designated as cash flow hedges. The effective portion of 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 contracts, the amounts are reclassified into earnings when the related interest expense is recognized. In the case of cross-currency interest rate swaps contracts, the amounts are reclassified into earnings through interest expense and foreign exchange gain (loss) when the related earning is recognized. The unrecognized net loss (net of tax) of approximately ¥197 million on derivatives included in accumulated other comprehensive income (loss) at March 31, 2012 will be reclassified into earnings within the next 12 months. The ineffective portion of changes in the fair value of derivatives is immediately recorded in earnings.



**Table of Contents****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, cross-currency swap 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.

**Fair Values of Derivative Instruments**

(¥ in millions)

| At March 31:                                              | Other current assets |      | Other assets Other |      | Other current liabilities |         | Other Long-term liabilities |         |
|-----------------------------------------------------------|----------------------|------|--------------------|------|---------------------------|---------|-----------------------------|---------|
|                                                           | 2012                 | 2011 | 2012               | 2011 | 2012                      | 2011    | 2012                        | 2011    |
| <b>Derivatives designated as hedging instruments:</b>     |                      |      |                    |      |                           |         |                             |         |
| Foreign exchange contracts                                | ¥                    | ¥ 3  | ¥                  | ¥    | ¥                         | ¥       | ¥                           | ¥       |
| Interest rate swap contracts                              |                      |      |                    |      | 299                       | 908     | 84                          | 332     |
| Cross-currency interest rate swap contracts               | 90                   |      |                    |      |                           | 288     |                             | 72      |
| Total derivatives designated as hedging instruments       | ¥ 90                 | ¥ 3  | ¥                  | ¥    | ¥ 299                     | ¥ 1,196 | ¥ 84                        | ¥ 404   |
| <b>Derivatives not designated as hedging instruments:</b> |                      |      |                    |      |                           |         |                             |         |
| Foreign exchange contracts                                | ¥ 342                | ¥    | ¥                  | ¥    | ¥ 2,155                   | ¥ 982   | ¥ 6                         | ¥       |
| Cross-currency swap contracts                             | 131                  |      | 66                 |      | 43                        |         | 20                          |         |
| Interest rate swap contracts                              |                      |      |                    |      | 27                        | 110     |                             | 15      |
| Cross-currency interest rate swap contracts               | 1,809                |      | 1,112              |      | 777                       | 1,158   | 298                         | 1,021   |
| Total derivatives not designated as hedging instruments   | ¥ 2,282              | ¥    | ¥ 1,178            | ¥    | ¥ 3,002                   | ¥ 2,250 | ¥ 324                       | ¥ 1,036 |
| Total                                                     | ¥ 2,372              | ¥ 3  | ¥ 1,178            | ¥    | ¥ 3,301                   | ¥ 3,446 | ¥ 408                       | ¥ 1,440 |

**Income Effect of Derivative Instruments**

(¥ in millions)

| Derivative instruments in cash flow hedges  | Gain (Loss) Recognized in Other Comprehensive Income and Realized in Net Income, before tax |                                             |                                                                   |
|---------------------------------------------|---------------------------------------------------------------------------------------------|---------------------------------------------|-------------------------------------------------------------------|
|                                             | Effective Portion Recognized in OCI                                                         | Consolidated Statements of Income Line Item | Effective Portion Reclassified from Accumulated OCI to Net Income |
| <b>For the year ended March 31, 2012:</b>   |                                                                                             |                                             |                                                                   |
| Foreign exchange contracts                  | ¥                                                                                           | Revenues                                    | ¥ 3                                                               |
| Interest rate swap contracts                | (175)                                                                                       | Interest expense                            | (963)                                                             |
| Cross-currency interest rate swap contracts | 276                                                                                         | Interest expense                            | (175)                                                             |
|                                             |                                                                                             | Foreign exchange                            |                                                                   |
|                                             |                                                                                             | gain (loss)-net                             | 364                                                               |
| Total                                       | ¥ 101                                                                                       |                                             | ¥ (771)                                                           |

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**For the year ended March 31, 2011:**

|                                             |   |       |                  |   |         |
|---------------------------------------------|---|-------|------------------|---|---------|
| Foreign exchange contracts                  | ¥ | 2     | Revenues         | ¥ | 13      |
| Interest rate swap contracts                |   | (943) | Interest expense |   | (2,193) |
| Cross-currency interest rate swap contracts |   | 279   | Interest expense |   | (142)   |
|                                             |   |       | Foreign exchange |   |         |
|                                             |   |       | gain (loss)-net  |   | 434     |
| Total                                       | ¥ | (662) |                  | ¥ | (1,888) |

**For the year ended March 31, 2010:**

|                                             |   |         |                  |   |         |
|---------------------------------------------|---|---------|------------------|---|---------|
| Foreign exchange contracts                  | ¥ | 356     | Revenues         | ¥ | 203     |
| Interest rate swap contracts                |   | (1,495) | Interest expense |   | (2,304) |
| Cross-currency interest rate swap contracts |   | (171)   | Interest expense |   | (78)    |
| Total                                       | ¥ | (1,310) |                  | ¥ | (2,179) |

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(¥ in millions)

|                                                                     | Gain (Loss) Recognized in Net Income, before tax |                                            |
|---------------------------------------------------------------------|--------------------------------------------------|--------------------------------------------|
|                                                                     | Consolidated Statements<br>of Income Line Item   | Gain (Loss)<br>Recognized<br>in Net Income |
| <b>Derivative instruments not designated as hedging instruments</b> |                                                  |                                            |
| <b>For the year ended March 31, 2012:</b>                           |                                                  |                                            |
| Foreign exchange contracts                                          | Foreign exchange gain (loss) net                 | ¥ (373)                                    |
| Cross-currency swap contracts                                       | Foreign exchange gain (loss) net                 | 55                                         |
| Interest rate swap contracts                                        | Other net                                        | (104)                                      |
| Cross-currency interest rate swap contracts                         | Other net                                        | 2,644                                      |
| Total                                                               |                                                  | ¥ 2,222                                    |
| <b>For the year ended March 31, 2011:</b>                           |                                                  |                                            |
| Foreign exchange contracts                                          | Foreign exchange gain (loss) net                 | ¥ 2,659                                    |
| Interest rate swap contracts                                        | Other net                                        | 32                                         |
| Cross-currency interest rate swap contracts                         | Other net                                        | 344                                        |
| Total                                                               |                                                  | ¥ 3,035                                    |
| <b>For the year ended March 31, 2010:</b>                           |                                                  |                                            |
| Foreign exchange contracts                                          | Foreign exchange gain (loss) net                 | ¥ 1,346                                    |
| Interest rate swap contracts                                        | Other net                                        | (175)                                      |
| Cross-currency interest rate swap contracts                         | Other net                                        | (2,525)                                    |
| Total                                                               |                                                  | ¥ (1,354)                                  |

The amount of gain or loss related to the hedging ineffectiveness was not material for the year ended March 31, 2012, 2011 and 2010.

**16. FAIR VALUE OF FINANCIAL INSTRUMENTS AND CONCENTRATION OF CREDIT RISK****Fair Value of Financial Instruments**

The following table summarizes the carrying value and fair value of financial instruments:

(¥ in millions)

| At March 31:                        | Carrying<br>Value | Fair Value |           |         | Total     |
|-------------------------------------|-------------------|------------|-----------|---------|-----------|
|                                     |                   | Level 1    | Level 2   | Level 3 |           |
| <b>2012:</b>                        |                   |            |           |         |           |
| <b>Financial assets:</b>            |                   |            |           |         |           |
| Finance receivables net             | ¥ 203,861         | ¥          | ¥ 205,638 | ¥       | ¥ 205,638 |
| Long-term trade accounts receivable | 57,283            |            | 60,583    |         | 60,583    |
| <b>Financial liabilities:</b>       |                   |            |           |         |           |
| Long-term debt                      | (288,272)         |            | (288,038) |         | (288,038) |
| <b>2011:</b>                        |                   |            |           |         |           |
| <b>Financial assets:</b>            |                   |            |           |         |           |
| Finance receivables net             | ¥ 193,382         | ¥          | ¥ 193,749 | ¥       | ¥ 193,749 |
| Long-term trade accounts receivable | 50,971            |            | 53,725    |         | 53,725    |
| <b>Financial liabilities:</b>       |                   |            |           |         |           |
| Long-term debt                      | (274,198)         |            | (274,507) |         | (274,507) |

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 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 sheets. The carrying value of long-term debt in the table excludes capital lease obligations but includes the current portion, which is included in current portion of long-term

debt on the consolidated balance sheets.

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The carrying value of cash and cash equivalents, notes and accounts receivable and payable (excluding the current portion of long-term trade accounts receivable), short-term borrowings, and other current financial assets and liabilities approximate the fair value because of the short maturity of those instruments. The fair value measurements of these assets and liabilities are categorized into Level 2, except for cash which is categorized into Level 1. The carrying value and fair value of other investments and derivatives are disclosed in Note 17.

**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.

**Table of Contents****17. FAIR VALUE MEASUREMENTS****Assets and liabilities that are measured at fair value on a recurring basis**

The following table presents the Company's financial assets and financial liabilities that are measured at fair value on a recurring basis:

| (¥ in millions)<br>At March 31:             | Level 1         | Level 2        | Level 3  | Total           |
|---------------------------------------------|-----------------|----------------|----------|-----------------|
| <b>2012:</b>                                |                 |                |          |                 |
| <b>Assets:</b>                              |                 |                |          |                 |
| Available-for-sale securities:              |                 |                |          |                 |
| Equity securities of financial institutions | ¥ 34,339        | ¥              | ¥        | ¥ 34,339        |
| Other equity securities                     | 58,060          |                |          | 58,060          |
| Derivatives:                                |                 |                |          |                 |
| Foreign exchange contracts                  |                 | 342            |          | 342             |
| Cross-currency swap contracts               |                 | 197            |          | 197             |
| Cross-currency interest rate swap contracts |                 | 3,011          |          | 3,011           |
| <b>Total assets</b>                         | <b>¥ 92,399</b> | <b>¥ 3,550</b> | <b>¥</b> | <b>¥ 95,949</b> |
| <b>Liabilities:</b>                         |                 |                |          |                 |
| Derivatives:                                |                 |                |          |                 |
| Foreign exchange contracts                  | ¥               | ¥ 2,161        | ¥        | ¥ 2,161         |
| Cross-currency swap contracts               |                 | 63             |          | 63              |
| Interest rate swap contracts                |                 | 410            |          | 410             |
| Cross-currency interest rate swap contracts |                 | 1,075          |          | 1,075           |
| <b>Total liabilities</b>                    | <b>¥</b>        | <b>¥ 3,709</b> | <b>¥</b> | <b>¥ 3,709</b>  |
| <b>2011:</b>                                |                 |                |          |                 |
| <b>Assets:</b>                              |                 |                |          |                 |
| Available-for-sale securities:              |                 |                |          |                 |
| Equity securities of financial institutions | ¥ 34,839        | ¥              | ¥        | ¥ 34,839        |
| Other equity securities                     | 55,634          |                |          | 55,634          |
| Derivatives:                                |                 |                |          |                 |
| Foreign exchange contracts                  |                 | 3              |          | 3               |
| <b>Total assets</b>                         | <b>¥ 90,473</b> | <b>¥ 3</b>     | <b>¥</b> | <b>¥ 90,476</b> |
| <b>Liabilities:</b>                         |                 |                |          |                 |
| Derivatives:                                |                 |                |          |                 |
| Foreign exchange contracts                  | ¥               | ¥ 982          | ¥        | ¥ 982           |
| Interest rate swap contracts                |                 | 1,365          |          | 1,365           |
| Cross-currency interest rate swap contracts |                 | 2,539          |          | 2,539           |
| <b>Total liabilities</b>                    | <b>¥</b>        | <b>¥ 4,886</b> | <b>¥</b> | <b>¥ 4,886</b>  |

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. The reconciliation to the line items presented in the consolidated balance sheets of available-for-sale securities and derivatives are disclosed in Note 4 and Note 15, respectively.

**Assets and liabilities that are measured at fair value on a nonrecurring basis**

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The Company measured a part of long-lived assets at the fair value of ¥ 3,937 million due to the recognition of impairment at March 31, 2012. The fair value is determined using the market approach based on the observable quoted price for similar assets in markets that are not active. The fair value measurement is categorized into Level 2. This long-lived asset is included in land in the consolidated balance sheets.

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**Table of Contents****18. SUPPLEMENTAL EXPENSE INFORMATION**

The following table presents the amounts of research and development expenses, advertising costs, shipping and handling costs, and depreciation and amortization included in cost of revenues and selling, general, and administrative expenses:

(¥ in millions)

| For the years ended March 31:     | 2012     | 2011     | 2010     |
|-----------------------------------|----------|----------|----------|
| Research and development expenses | ¥ 27,856 | ¥ 25,042 | ¥ 25,241 |
| Advertising costs                 | 6,979    | 7,178    | 7,658    |
| Shipping and handling costs       | 40,033   | 37,836   | 36,497   |
| Depreciation and amortization     | 23,861   | 26,517   | 28,903   |

Other operating income for the year ended March 31, 2012 included a gain from disposal of fixed assets of ¥6,693 million, a loss from impairment of long-lived assets of ¥1,531, a loss resulting from the 2011 Thailand Flood of ¥3,852 million and a gain from related insurance proceeds of ¥3,144 million.

The 2011 Thailand Flood submerged one of the consolidated subsidiary's plants in Thailand, damaged its inventories and fixed assets and brought the plant to a temporary shutdown. The main components of the disaster related losses were a loss from a disposal of inventories and fixed assets and fixed costs incurred during the shutdown.

Other operating expenses for the year ended March 31, 2011 included a loss resulting from the Great East Japan Earthquake of ¥2,544 million and a loss from a disposal of fixed assets of ¥844 million.

The recorded expenses for the disaster related losses from the Great East Japan Earthquake, which occurred on March 11, 2011 were estimated based on information available to the Company as of the reporting date of financial statements.

The Great East Japan Earthquake struck the east part of Japan and negatively impacted the operations. The parent company and some of its domestic subsidiaries sustained damage to property and equipment, which brought certain plants to a temporary shutdown. The main components of the disaster related losses were provision for credit losses, fixed costs during the shutdown, repair costs for damaged property and equipment and a special donation to the Japan Red Cross.

The repair costs, which were expected to be incurred in the subsequent periods, were not recorded as expenses.

**19. COMMITMENTS AND CONTINGENCIES****Commitments**

The Company leases certain office space and equipment and employee housing under cancelable and noncancelable lease agreements. Leased assets under capital leases are comprised of the following:

(¥ in millions)

| At March 31:             | 2012    | 2011    |
|--------------------------|---------|---------|
| Land                     | ¥ 63    | ¥       |
| Machinery and equipment  | 5,971   | 7,616   |
| Accumulated depreciation | (3,640) | (5,839) |
| Software                 | 180     | 237     |
| Total                    | ¥ 2,574 | ¥ 2,014 |

Amortization expenses under capital leases for the years ended March 31, 2012, 2011, and 2010 were ¥789 million, ¥2,269 million and ¥4,550 million, respectively.



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The following table presents the annual maturities of future minimum lease commitments under capital and non-cancelable operating leases at March 31, 2012:

| (¥ in millions)<br>Years ending March 31:                  | Capital Leases | Operating Leases |
|------------------------------------------------------------|----------------|------------------|
| 2013                                                       | ¥ 1,285        | ¥ 1,593          |
| 2014                                                       | 736            | 1,297            |
| 2015                                                       | 627            | 858              |
| 2016                                                       | 474            | 587              |
| 2017                                                       | 369            | 428              |
| 2018 and thereafter                                        | 388            | 461              |
| <b>Total minimum lease payments</b>                        | <b>3,879</b>   | <b>¥ 5,224</b>   |
| Less: amounts representing interest                        | (539)          |                  |
| <b>Present value of net minimum capital lease payments</b> | <b>¥ 3,340</b> |                  |

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, 2012, 2011, and 2010 were ¥4,462 million, ¥4,373 million, and ¥4,942 million, respectively.

Commitments for capital expenditures outstanding at March 31, 2012 amounted to ¥2,861 million.

**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 one year to 10 years. The maximum potential amount of undiscounted future payments of these financial guarantees at March 31, 2012 was ¥10,987 million. The fair value of these financial guarantees is not material and the probability of incurrence of a loss is remote.

The Company issues contractual product warranties under which it generally guarantees the performance of products delivered and services rendered for a specified 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 following table presents the reconciliation of the beginning and ending balances of accrued product warranty cost:

| (¥ in millions)<br>For the years ended March 31: | 2012           | 2011           |
|--------------------------------------------------|----------------|----------------|
| Balance at beginning of year                     | ¥ 5,598        | ¥ 6,707        |
| Addition                                         | 3,638          | 3,750          |
| Utilization                                      | (3,788)        | (4,305)        |
| Other                                            | 428            | (554)          |
| <b>Balance at end of year</b>                    | <b>¥ 5,876</b> | <b>¥ 5,598</b> |

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

**Legal Proceedings**

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The Company is subject to various legal actions arising in the ordinary course of business. The following is a summary of the significant legal proceedings.

### **(Anti-Trust)**

In December 1999, the Company received a surcharge order from the Fair Trade Commission of Japan for a violation of the Anti-Monopoly Law relating to participation in fixing the shares of ductile iron straight pipe orders in Japan. In June 2009, the Company received, as a result of the hearing procedure, the ultimate decision of the commission which ordered the Company to pay the surcharge of ¥7,072 million, and the Company paid the surcharge during the year ended March 31, 2010. Consequently, the Company filed a revocation suit to the Tokyo High Court considering the ultimate decision unacceptable in July 2009, but it was dismissed on October 28, 2011. Subsequently, the Company then appealed the case to the Supreme Court as it was not satisfied with the decision.

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The Company recorded the surcharge for the year ended March 31, 2009 based on the preliminary decision of the commission.

**(Asbestos-Related Lawsuits)**

Since May 2007, the Company has been subject to 14 asbestos-related lawsuits in Japan, which were filed against the Company or defendant parties consisting of the Japanese Government and asbestos-related companies including the Company. The claims for compensation totaling ¥17,566 million consisted mostly of 11 lawsuits, which concerned a total of 453 construction workers who suffered from asbestos-related diseases, and were filed against the Japanese Government and 44 asbestos-related companies including the Company. The Company does not have any cost-sharing arrangements with other potentially responsible parties for these 14 lawsuits. The Company discloses the aggregate claimed amount of the above ¥17,566 million as the maximum within the reasonably possible range of loss because the expected loss will be between zero and the aggregate claimed amount. Though the Company is currently unable to develop an amount that appears at this time to be a better estimate than any other amount within the range, the Company has continued its efforts to develop the amount or narrow the range of loss by quantifying the effects of key assumptions such as the probability of losing lawsuits, the total amount of ultimate compensation when lost, and the allocation rate among defendants, which includes both the government and other asbestos-related companies. In quantifying the key assumptions, the Company reviews the status of each lawsuit and assesses its potential financial exposure on a regular basis. Each quarter, representatives from the accounting and legal departments meet to discuss and assess outstanding claims. The legal department consults outside legal counsel about the progress and potential ultimate outcome of the cases. Among the major 11 lawsuits, one district court ruled in favor of Japanese Government and 44 asbestos-related companies including the Company, but the plaintiff appealed the court ruling right after the judgment. Since the above cases will be also continued until the ultimate outcome will be made, the Company believes that the current progress of them have not provided any developments that would facilitate a better estimation for any of the above key assumptions. The Company expects that the degree of uncertainty related to each of the assumptions will decrease as the lawsuits progress, but is currently unable to predict the ultimate outcome of all lawsuits or when any of them will be finally resolved. Finally, because similar asbestos-related cases in Japan are still pending and have not been finally concluded, the Company is not able to use them as a reference in estimating the above assumptions.

**Matters Related to Health Hazard of Asbestos****(Background)**

Until 1995, the Company's plant in Amagasaki, Hyogo Prefecture, Japan, had produced asbestos-related products, although the Company had other plants which also produced asbestos-related products and completely ceased such production by 2001. The Company decided to make voluntary consolation payments to certain residents in June 2005, and established the relief payment program in place of the consolation payment to the residents in April 2006. With regard to the current and former employees who suffered and are suffering from asbestos-related diseases, the Company provides 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 (the New 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 Insurance). The relief aid payments are contributed by the national government, municipal governments, and business entities. The contribution made by business entities includes a special contribution by the companies which operated a business closely related to asbestos, and commenced from the year ended March 31, 2008.

**(Accounting for Asbestos-Related Expenses)**

The Company expenses all the payments for the health hazard of asbestos based on the Company's significant accounting policies. (See Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES) The recorded expenses are in total ¥1,131 million, ¥1,155 million, and ¥503 million for the years ended March 31, 2012, 2011, and 2010, respectively, which are included in selling, general, and administrative expenses. 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 New Asbestos Law.



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The Company has accrued balances for the asbestos-related expenses of ¥530 million, ¥390 million, and ¥352 million at March 31, 2012, 2011, and 2010 respectively. The accrual includes possible payments to certain residents who lived near the Company's plant current and former employees, and the special contribution in accordance with the New Asbestos Law.

The payments to those residents and current and former employees are each made in a lump sum and their accounting policies and procedures are the same. Though the Company is not certain if the claimants who are currently under review will meet the Company's specified criteria at the time of their filing claims with the Company, the Company accrued the possible payments calculated by using the historical designation rate of the Company's payment program since the payments to those claimants are considered to be probable. The Company believes it is not possible to reasonably estimate the number of current and former employees and residents who lived near the Company's plant will apply for payments in the future. Accordingly, such payments are not included in the accrued amounts as described above.

The Company's share of special contributions is determined based on the ratio of the Company's historical usage of asbestos to the total quantity of asbestos imported into Japan in the past. The Company recorded expenses and accrued balance, which were ¥180 million and ¥179 million for the years ended March 31, 2012 and 2011, respectively. The Company received the most recent notification of ¥180 million dated April 16, 2012.

In its effort to develop an estimate of a reasonably possible loss or range of loss, the Company has considered all available data, including historical claims (period and cumulative) and the average payments made and public information related to asbestos-related disease. In addition, the Company has considered various methods including 1) estimating future payments by using the rate of incidence in asbestos related disease, and 2) estimating future payments directly based on a time series of data of historical payments. However, reliable statistics of the rate of incidence in asbestos-related disease are not available to the Company.

Furthermore, there have not been any asbestos-related events impacting other companies in Japan which achieved final outcomes of the events, and become available to the Company, for estimation of the rate of incidence. In addition, although the Company recorded the voluntary consolation payments, relief payments and compensation payments totaled, ¥1,090 million, ¥1,155 million, ¥503 million, ¥977 million and ¥951 million for the years ended at March 31, from 2008 to 2012, respectively, any correlation can not be reasonably established between time and payment history. The Company believes it is not possible to reasonably estimate the amount of its ultimate liability relating to this contingency. As a result, the Company concluded that it was not able to develop a reasonable estimate at the possible loss or range of loss.

**20. SUPPLEMENTAL CASH FLOW INFORMATION**

Supplemental information related to the consolidated statements of cash flows is as follows:

| (¥ in millions)                                     | 2012    | 2011    | 2010    |
|-----------------------------------------------------|---------|---------|---------|
| <b>For the years ended March 31:</b>                |         |         |         |
| <b>Cash paid during the year:</b>                   |         |         |         |
| Interest                                            | ¥ 4,732 | ¥ 6,914 | ¥ 9,614 |
| Income taxes                                        | 20,515  | 44,207  | 15,336  |
| <b>Non-cash investing and financing activities:</b> |         |         |         |
| Obtaining assets by entering into capital leases    | 471     | 201     | 2,740   |

During the year ended March 31, 2012, 2011 and 2010, the Company purchased noncontrolling interests reported in the Farm & Industrial Machinery segment. The Company retains the controlling interests before and after the transaction, the cash flow of which is classified in financing activities as Purchases of noncontrolling interests.

**Table of Contents****21. SEGMENT INFORMATION**

The Company engages in various fields of business and industries by providing products and services which are categorized into the following segments: Farm & Industrial Machinery; Water & Environment Systems; Social Infrastructure; and Other. The Farm & Industrial Machinery segment manufactures and distributes farm equipment, engines, and construction machinery. The Water & Environment Systems segment manufactures and distributes pipe-related products and environment-related products. The Social Infrastructure segment manufactures and distributes industrial castings, spiral welded steel pipes, vending machines, electronic-equipped machinery, and air-conditioning equipment. The Other segment includes construction, services, and other businesses.

The segments represent the components of the Company for which separate financial information is available that is utilized on a regular basis by the chief executive officer in determining how to allocate the Company's resources and evaluate performance. The segments also represent the Company's organizational structure principally based on the nature of products and services.

The accounting policies for the reporting segments are consistent with the accounting policies used in the Company's consolidated financial statements.

**Reporting Segments**

Information by reporting segments is summarized as follows:

(¥ in millions)

|                                       | Farm &<br>Industrial<br>Machinery | Water &<br>Environment<br>Systems | Social<br>Infrastructure | Other         | Adjustments     | Consolidated     |
|---------------------------------------|-----------------------------------|-----------------------------------|--------------------------|---------------|-----------------|------------------|
| <b>For the years ended March 31:</b>  |                                   |                                   |                          |               |                 |                  |
| <b>2012:</b>                          |                                   |                                   |                          |               |                 |                  |
| Revenues:                             |                                   |                                   |                          |               |                 |                  |
| External customers                    | ¥ 713,943                         | ¥ 198,511                         | ¥ 64,775                 | ¥ 30,790      | ¥               | ¥ 1,008,019      |
| Intersegment                          | 69                                | 2,428                             | 2,832                    | 18,010        | (23,339)        |                  |
| <b>Total</b>                          | <b>714,012</b>                    | <b>200,939</b>                    | <b>67,607</b>            | <b>48,800</b> | <b>(23,339)</b> | <b>1,008,019</b> |
| Operating income                      | ¥ 97,776                          | ¥ 14,829                          | ¥ 2,651                  | ¥ 2,450       | ¥ (12,026)      | ¥ 105,680        |
| Identifiable assets at March 31, 2012 | ¥ 1,039,280                       | ¥ 184,990                         | ¥ 61,282                 | ¥ 49,530      | ¥ 152,587       | ¥ 1,487,669      |
| Depreciation and amortization         | 14,582                            | 4,768                             | 1,806                    | 705           | 2,000           | 23,861           |
| Capital expenditures                  | 20,077                            | 3,390                             | 2,686                    | 1,071         | 3,888           | 31,112           |
| <b>2011:</b>                          |                                   |                                   |                          |               |                 |                  |
| Revenues:                             |                                   |                                   |                          |               |                 |                  |
| External customers                    | ¥ 651,518                         | ¥ 192,768                         | ¥ 60,439                 | ¥ 28,960      | ¥               | ¥ 933,685        |
| Intersegment                          | 64                                | 1,594                             | 2,657                    | 15,837        | (20,152)        |                  |
| <b>Total</b>                          | <b>651,582</b>                    | <b>194,362</b>                    | <b>63,096</b>            | <b>44,797</b> | <b>(20,152)</b> | <b>933,685</b>   |
| Operating income                      | ¥ 86,487                          | ¥ 13,121                          | ¥ 2,463                  | ¥ 2,096       | ¥ (18,056)      | ¥ 86,111         |
| Identifiable assets at March 31, 2011 | ¥ 918,656                         | ¥ 170,691                         | ¥ 62,092                 | ¥ 39,386      | ¥ 166,027       | ¥ 1,356,852      |
| Depreciation and amortization         | 15,870                            | 6,010                             | 1,931                    | 697           | 2,009           | 26,517           |
| Capital expenditures                  | 13,871                            | 4,861                             | 3,764                    | 691           | 764             | 23,951           |

**2010:**

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Revenues:

|                                       |                |                |               |               |                 |                |
|---------------------------------------|----------------|----------------|---------------|---------------|-----------------|----------------|
| External customers                    | ¥ 616,726      | ¥ 222,949      | ¥ 63,293      | ¥ 27,676      | ¥               | ¥ 930,644      |
| Intersegment                          | 77             | 611            | 2,710         | 14,091        | (17,489)        |                |
| <b>Total</b>                          | <b>616,803</b> | <b>223,560</b> | <b>66,003</b> | <b>41,767</b> | <b>(17,489)</b> | <b>930,644</b> |
| <br>                                  |                |                |               |               |                 |                |
| Operating income                      | ¥ 60,485       | ¥ 19,723       | ¥ 2,699       | ¥ 2,629       | ¥ (15,834)      | ¥ 69,702       |
| <br>                                  |                |                |               |               |                 |                |
| Identifiable assets at March 31, 2010 | ¥ 930,480      | ¥ 186,768      | ¥ 65,519      | ¥ 42,246      | ¥ 184,020       | ¥ 1,409,033    |
| Depreciation and amortization         | 18,489         | 6,033          | 1,933         | 552           | 1,896           | 28,903         |
| Capital expenditures                  | 14,820         | 5,969          | 1,992         | 741           | 2,516           | 26,038         |

(Notes)

1. The unallocated corporate expenses included in Adjustments amounted to ¥12,030 million, ¥18,066 million, and ¥15,834 million for the years ended March 31, 2012, 2011, and 2010, respectively. The unallocated corporate assets included in Adjustments amounted to ¥171,354 million, ¥182,602 million, and ¥190,282 million at March 31, 2012, 2011, and 2010, respectively, which consisted mainly of cash and cash equivalents, investment securities, and corporate properties held or used by the administration departments of the parent company. Adjustments also included the elimination of intersegment transactions.
2. The aggregated amounts of operating income equal to those in the consolidated statements of income, and refer to the consolidated statements of income for the reconciliation of operating income to income before income taxes and equity in net income of affiliated companies.
3. Intersegment revenues are recorded at values that approximate market prices.

**Table of Contents****Revenues from External Customers by Product Groups**

Information for revenues from external customers by product groups is summarized as follows:

| (¥ in millions)                         | 2012        | 2011      | 2010      |
|-----------------------------------------|-------------|-----------|-----------|
| <b>For the years ended March 31:</b>    |             |           |           |
| <b>Farm &amp; Industrial Machinery:</b> |             |           |           |
| Farm equipment and engines              | ¥ 619,989   | ¥ 580,671 | ¥ 561,165 |
| Construction machinery                  | 93,954      | 70,847    | 55,561    |
|                                         | 713,943     | 651,518   | 616,726   |
| <b>Water &amp; Environment Systems:</b> |             |           |           |
| Pipe-related products                   | 122,247     | 121,836   | 144,465   |
| Environment-related products            | 76,264      | 70,932    | 78,484    |
|                                         | 198,511     | 192,768   | 222,949   |
| <b>Social Infrastructure</b>            | 64,775      | 60,439    | 63,293    |
| <b>Other</b>                            | 30,790      | 28,960    | 27,676    |
| <b>Total</b>                            | ¥ 1,008,019 | ¥ 933,685 | ¥ 930,644 |

**Geographic Information**

Information for revenues from external customers by destination and property, plant, and equipment based on physical location are summarized as follows:

| (¥ in millions)                                                                      | 2012        | 2011      | 2010      |
|--------------------------------------------------------------------------------------|-------------|-----------|-----------|
| <b>Revenues from external customers by destination for the years ended March 31:</b> |             |           |           |
| Japan                                                                                | ¥ 498,684   | ¥ 477,913 | ¥ 501,663 |
| North America                                                                        | 219,929     | 189,330   | 174,371   |
| Europe                                                                               | 88,715      | 75,762    | 67,791    |
| Asia Outside Japan                                                                   | 169,632     | 160,533   | 148,589   |
| Other Areas                                                                          | 31,059      | 30,147    | 38,230    |
| <b>Total</b>                                                                         | ¥ 1,008,019 | ¥ 933,685 | ¥ 930,644 |
| <b>Property, plant, and equipment based on physical location at March 31:</b>        |             |           |           |
| Japan                                                                                | ¥ 176,987   | ¥ 177,460 | ¥ 183,042 |
| North America                                                                        | 15,158      | 16,146    | 20,210    |
| Europe                                                                               | 9,580       | 1,733     | 2,162     |
| Asia Outside Japan                                                                   | 20,087      | 18,794    | 13,983    |
| Other Areas                                                                          | 3,255       | 3,225     | 1,496     |
| <b>Total</b>                                                                         | ¥ 225,067   | ¥ 217,358 | ¥ 220,893 |

(Notes)

1. Revenues from North America include those from the United States of ¥190,243 million, ¥167,553 million, and ¥146,319 million for the years ended March 31, 2012, 2011, and 2010, respectively.
2. There is no single customer, revenues from whom exceed 10% of total consolidated revenues of the Company.

**22. SUBSEQUENT EVENTS**

On May 10, 2012, the Company's Board of Directors resolved to pay a cash dividend to shareholders of record on March 31, 2012 of ¥8 per common share (¥40 per 5 common shares), a total of ¥10,051 million.

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**INDEX TO EXHIBITS**

- 1.1 Articles of Incorporation of the Registrant (English translation)
- 1.2 Share Handling Regulations of the Registrant (English translation)
- 2.1 Form of Amended and Restated Deposit Agreement among the Registrant, JPMorgan Chase Bank as Depositary and all owners and holders from time to time of American Depositary Receipts, including the form of American Depositary Receipt (incorporated by reference to the Registration Statement on Form F-6 (File No. 333-91654) filed on June 26, 2002)
- 8.1 List of Significant Subsidiaries (See Organizational Structure in Item 4.C. of this Form 20-F)
- 11.1 Code of Ethics for Senior Financial Officers of the Registrant (English translation)
- 12.1 Certification of the principal executive officer of the Registrant required by Rule 13a-14(a)
- 12.2 Certification of the principal financial officer of the Registrant required by Rule 13a-14(a)
- 13.1 Certification required by Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code
- 101 Instance Document
- 101 Schema Document
- 101 Calculation Linkbase Document
- 101 Definition Linkbase Document
- 101 Labels Linkbase Document
- 101 Presentation Linkbase Document

(Note) The Company has not included as exhibits certain instruments with respect to its long-term debt, the amount of debt authorized under each of which does not exceed 10% of its total assets, and it agrees to furnish a copy of any such instrument to the Securities and Exchange Commission upon request.