

KUBOTA CORP
Form 6-K
December 05, 2006
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6 - K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 of

the Securities Exchange Act of 1934

For the month of November 2006

Commission File Number: 1-07294

KUBOTA CORPORATION

(Translation of registrant's name into English)

2-47, Shikitsuhigashi 1-chome, Naniwa-ku, Osaka, Japan

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F :

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1) :

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7) :

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934 :

Yes No

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If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b) : 82-_____

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Information furnished on this form:

EXHIBITS

Exhibit Number

1. Results of operations for the six months ended September 30, 2006 reported by Kubota Corporation (Tuesday, November 7, 2006)
2. Notice on interim dividend (Tuesday, November 7, 2006)

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FOR IMMEDIATE RELEASE (TUESDAY, NOVEMBER 7, 2006)**RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED****SEPTEMBER 30, 2006 REPORTED BY KUBOTA CORPORATION**

OSAKA, JAPAN, November 7, 2006 Kubota Corporation reported today its consolidated and non-consolidated results of operations for the six months ended September 30, 2006.

Note: THIS PRESS RELEASE REPLACES THE SEMIANNUAL REPORT.

Consolidated Financial Highlights

(Unaudited)

(1) Results of operations

(In millions of yen and thousands of U.S. dollars except

per American Depositary Share (ADS) amounts)

| | Six months ended | | % | Six months ended | | % | Year ended |
|--|------------------|----------------|------|------------------|--|--------|---------------|
| | Sept. 30, 2006 | | (*) | Sept. 30, 2005 | | (*) | Mar. 31, 2006 |
| Net sales | ¥ 549,039 | \$ [4,652,873] | 10.6 | ¥ 496,229 | | 11.3 | ¥ 1,051,040 |
| Operating income | ¥ 71,011 | \$ [601,788] | 18.7 | ¥ 59,810 | | 17.1 | ¥ 113,500 |
| % of net sales | 12.9% | | | 12.1% | | | 10.8% |
| Income before income taxes, minority interests in earnings of subsidiaries, and equity in net income of affiliated companies | ¥ 76,727 | \$ [650,229] | 17.3 | ¥ 65,384 | | 14.4 | ¥ 140,406 |
| % of net sales | 14.0% | | | 13.2% | | | 13.4% |
| Net income | ¥ 44,332 | \$ [375,695] | 16.1 | ¥ 38,182 | | (30.3) | ¥ 81,034 |
| % of net sales | 8.1% | | | 7.7% | | | 7.7% |
| Net income per ADS (5 common shares) | | | | | | | |
| Basic | ¥ 171 | \$ [1.45] | | ¥ 147 | | | ¥ 311 |
| Diluted | | | | ¥ 144 | | | ¥ 308 |

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¥ 171
\$ [1.45]

Notes. 1 : (*) represents percentage change from the corresponding previous period.

| | |
|---|---------------|
| Notes. 2 : Weighted-average number of shares outstanding during the six months ended September 30, 2006 | 1,297,876,807 |
| Weighted-average number of shares outstanding during the six months ended September 30, 2005 | 1,302,951,678 |
| Weighted-average number of shares outstanding during the year ended March 31, 2006 | 1,304,097,050 |

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(2) Financial position

(In millions of yen and thousands of U.S. dollars)

except per ADS amounts)

| | Sept. 30, 2006 | Sept. 30, 2005 | Mar. 31, 2006 |
|---|--------------------------------|----------------|---------------|
| Total assets | ¥ 1,460,996 \$ [12,381,322] | ¥ 1,270,050 | ¥ 1,405,402 |
| Shareholders' equity | ¥ 625,557 \$ [5,301,331] | ¥ 557,605 | ¥ 606,484 |
| Ratio of shareholders' equity to total assets | 42.8% | 43.9% | 43.2% |
| Shareholders' equity per ADS | ¥ 2,416 \$ [20.47] | ¥ 2,119 | ¥ 2,334 |

Notes to financial position:

| | |
|---|---------------|
| Number of shares outstanding as of September 30, 2006 | 1,294,709,717 |
| Number of shares outstanding as of September 30, 2005 | 1,315,723,028 |
| Number of shares outstanding as of March 31, 2006 | 1,299,487,964 |

(3) Summary of statements of cash flows

(In millions of yen and thousands of U.S. dollars)

| | Six months ended Sept. 30, 2006 | Six months ended Sept. 30, 2005 | Year ended Mar. 31, 2006 |
|---|------------------------------------|------------------------------------|-----------------------------|
| Net cash provided by operating activities | ¥ 48,099 \$ [407,619] | ¥ 36,196 | ¥ 87,857 |
| Net cash used in investing activities | ¥ (38,452) \$ [(325,864)] | ¥ (26,694) | ¥ (61,292) |
| Net cash provided by (used in) financing activities | ¥ 7,323 \$ [62,059] | ¥ (487) | ¥ (10,186) |
| Cash & cash equivalents, end of period | ¥ 108,499 \$ [919,483] | ¥ 83,879 | ¥ 91,858 |

(4) 121 subsidiaries are consolidated, and 24 affiliated companies are accounted for under the equity method.

| | |
|---|-----|
| (5) Number of newly consolidated companies during the period | : 3 |
| (5) Number of companies newly excluded from consolidated subsidiaries during the period | : 4 |
| (5) Number of newly affiliated companies during the period | : 0 |
| (5) Number of companies newly excluded from affiliated companies during the period | : 1 |

(6) Anticipated consolidated results of operations for the year ending March 31, 2007

(In millions of yen)

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| | Year ending | Year ended |
|--|----------------|----------------|
| | March 31, 2007 | March 31, 2006 |
| Net sales | ¥ 1,110,000 | ¥ 1,051,040 |
| Income before income taxes, minority interests in earnings of subsidiaries, and equity in net income of affiliated companies | ¥ 133,000 | ¥ 140,406 |
| Net income | ¥ 78,000 | ¥ 81,034 |

Basic net income per ADS for the year ending March 31, 2007 is anticipated to be ¥301.

Please refer to page 8-10 for further information related to anticipated results of operations mentioned above.

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**Kubota Corporation
and Subsidiaries**

1. Management Policies

1. Basic management policy

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

2. Basic policy related to the Company's profit allocation

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

3. Basic policy regarding reduction of trading unit of the Company's stock

The Company is fully aware that reduction of trading unit of the Company's stock might cause positive impacts on the diversity of shareholders and the liquidity of the Company's stock. However, the Company believes that the implementation of reduction of trading unit should be examined in careful consideration of price and liquidity of the Company's stock, and financial results of the Company.

4. Principal Business Policies for Medium- to Long-Term Growth in Profit

To attain further development in the medium-to-long term, as a growing, profitable, and stable company, the Company is giving priority to the following business policies.

(1) Accelerating Business Expansion in Overseas Operations

The primary engine driving the Company's growth and the most important source of profit in the years ahead will be the overseas operations in Internal Combustion Engine and Machinery. The Company plans to move forward with plans for giving priority to investing resources in all aspects of these operations, including the development of new products, opening up peripheral markets, expanding production capacity and expanding its marketing network. With these plan the Company has made efforts to expand its business through strengthening the Kubota brand and increasing market share. The Company is committed to focusing its full efforts at an accelerated pace on continuing to expand these overseas operations by responding to the changing times agilely and appropriately.

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In product development, the Company is combining its small-sized diesel engines, which are globally competitive, and its various top-level vehicle technologies, to aggressively move forward with the development and introduction of new models in the fields of tractors, construction machinery, rice-farming machinery, and utility vehicles (four-wheel multipurpose vehicles). The Company is also working to expand business domains by concentrating on supplying engines to other manufacturers and developing products for peripheral applications.

By region, the Company intends to expand its business worldwide further than ever before. In North America and the EU, mainstay of business in Internal Combustion Engine and Machinery, the Company devotes to strengthen its supply chains of products and services. In Asia, where growth is expected going forward, the Company is aggressively working to strengthen its manufacturing and marketing bases, especially in Thailand and China.

Also, in response to the rapid expansion in overseas activities, the Company is beginning to make capital investments in a broad range of locations in Japan and overseas to expand production capacity for engines, tractors, construction machinery, combines, and other products. A major issue for the time being will be to launch these investment projects as quickly as possible.

(2) Restructuring the Public Works Related Businesses

In the circumstance of continuously declining domestic public works spending, the public works related businesses (Pipes, Valves, and Industrial Castings segment and Environmental Engineering segment) of the Company are facing very severe conditions of their business. The Company regards the deterioration in the market for the public works related businesses as a structural issue and is aiming to restructure its activities in these areas in response to changes in the operating environment. For the countermeasure of price decline in the circumstance of decreasing budgets for public works, the Company is taking an aggressive approach to the challenges of restructuring by making drastic reductions in costs and dramatic improvements in productivity as well as implementing other policies to actively introduce changes that will make its operations more oriented toward the market and market mechanisms.

In Pipes, Valves, and Industrial Castings, the Company is achieving steady results as a result of implementing these policies and making progress toward improvements in profitability. However, in Environmental Engineering, conditions have deteriorated and competition has grown more intense than anticipated, and its efforts at restructuring and reform are still lagging behind the pace of change in the operating environment. Going forward, the Company attempt to enhance its competitiveness by taking changes of direction and rapidity in its business environments in advance. Furthermore, the Company intends to conduct a thorough analysis of the market environment, its resources, and its strengths and weaknesses. Also, while promoting thoroughgoing cost reductions based on the application of the manufacturing and development technologies the Company has accumulated in Internal Combustion Engine and Machinery, endeavoring to differentiate its products and services from those of competitors in terms of technology, strengthening its capabilities for making proposals to customers, and implementing other measures. The Company intends to devote its full efforts to shifting the focus of its activities to meeting private-sector demand and overseas business operations so that the Company might not be affected by negative impact from decrease of public works spending.

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(3) Management Based on Corporate Social Responsibility (CSR)

To attain sustainable growth and development, the Company believes that it is necessary for the Company not only to aim to its growth on business continuously but also to meet various expectations and trust from each stakeholder on a constant basis. The Company must be a trusted member of the community contributing to and acting in harmony with society. Based on this fundamental awareness, the Company states management based on corporate social responsibility (CSR) as a principal management issue at highest priority, and intends to behave with strong awareness of CSR on every business activity.

The Company has reviewed its Corporate Mission Statement, Charter for Action, and Code of Conduct from a viewpoint of CSR, and, in the light of the demands of society today, the Company issued revised versions of these corporate statements in April 2006. Going forward, the Company plans to inform these corporate statements and put them into practice throughout all Group companies.

5. Items concerning its parent company

The Company has no parent company.

2. Review of Operations and Financial Condition

1. Review of operations

(1) Summary of the results of operations for the six months under review

Net sales of the Company during the six months under review increased ¥52.8 billion (10.6 %), to ¥549.0 billion from the corresponding period in the prior year.

Domestic sales decreased ¥4.7 billion (1.7 %), to ¥274.8 billion from the corresponding period in the prior year. Sales in Internal Combustion Engine & Machinery slightly decreased owing to decreased sales of farm equipment, though sales of engines and construction machinery increased. Sales in Pipes, Valves and Industrial Castings decreased due to sales decline of industrial castings, although sales of ductile iron pipes and plastic pipes were almost same as the corresponding period in the prior year. On the other hand, sales in Environmental Engineering slightly increased and sales in Other remained at the same level as the corresponding period in the prior year.

Overseas sales increased ¥57.5 billion (26.5 %), to ¥274.2 billion from the corresponding period in the prior year. In North America sales of tractors and engines increased steadily and sales of construction machinery grew largely. In Europe, sales of tractors, construction machinery and engines expanded. In Asia, sales of farm equipment for rice farming continued to increase largely. As a result, the percentage of overseas sales accounted for 49.9 % of net sales, 6.2 percentage points higher than the corresponding period in the prior year.

Operating income increased ¥11.2 billion (18.7 %), to ¥71.0 billion from the corresponding period in the prior year. Operating income in Internal Combustion Engine & Machinery segment increased largely due to expansion of overseas sales and weaker yen exchange rate compared with the corresponding period in the prior year. Operating income in Pipes, Valves and Industrial Castings increased due to a reduction of costs and sales expansion of ductile iron pipes and industrial castings in overseas markets. Operating income in Environmental Engineering decreased due to profit deterioration resulting from price decline.

Income before income taxes, minority interests in earnings of subsidiaries, and equity in net income of affiliated companies increased ¥11.3 billion (17.3 %), to ¥76.7 billion from the corresponding period in the prior year due to an increase in operating income. After ¥29.1 billion of income taxes (effective tax rate 37.9 %) and ¥3.3 billion of minority interests in earnings of subsidiaries and equity in net income of affiliated companies, net income during the six months under review increased ¥6.2 billion (16.1 %), to ¥44.3 billion from the corresponding period in the prior year.

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(2) Review of operations by industry segment

1) Internal Combustion Engine and Machinery

Sales in Internal Combustion Engine and Machinery increased ¥51.1 billion (14.9 %), to ¥394.6 billion from the corresponding period in the prior year, comprising 71.8 % of consolidated net sales. Domestic sales decreased ¥2.1 billion (1.5 %), to ¥136.6 billion and overseas sales increased ¥53.3 billion (26.0 %), to ¥258.0 billion. This segment consists of farm equipment and engines and construction machinery .

In the domestic market, sales of farm equipment struggled due to declining number of farmers and reduction of farmers' investment for farm equipment. The farmers' investment behavior was affected by introduction of the new governmental agricultural policy that intends to cultivate farmers who forge the future of agricultural industry in Japan. Sales of construction machinery increased against a background of expansion of capital expenditures and brisk investment in rental companies. Sales of engines also increased steadily.

In overseas markets, sales of tractors increased steadily. In North America, new model of mid-sized tractors were launched. In Europe, sales of tractors also grew favorably. In Asia, sales of tractors in Thailand recorded significant expansion due to the continuing growth of the demand. Sales of combine harvesters in China continued large increase and sales of combine harvesters and rice transplanters in South Korea grew steadily.

As for construction machinery, sales in Europe expanded largely due to launching new models and aggressive sales campaign in strategic area. Sales in the US recorded significantly increase owing to growing demand for mini-excavator as well as increase in the market shares. Sales of engines increased due to brisk demand from major customers in North America and Europe.

2) Pipes, Valves and Industrial Castings

Sales in Pipes, Valves and Industrial Castings segment increased ¥1.3 billion (1.6 %), to ¥83.9 billion from the corresponding period in the prior year, comprising 15.3 % of consolidated net sales. Domestic sales decreased ¥3.3 billion (4.6 %), to ¥69.4 billion and overseas sales increased ¥4.7 billion (47.6 %), to ¥14.5 billion. This segment consists of pipes and valves and industrial castings .

In the domestic market, the Company made efforts to maintain the sales by elaborated sales promotion and price-raising in spite of declining demand for ductile iron pipes and plastic pipes. As a consequence, sales of ductile iron pipes slightly decreased, and sales of plastic pipes remained at the same level as the corresponding period in the prior year. Sales of industrial castings decreased due to an absence of large shipment in ductile tunnel segment recorded during the corresponding period in the prior year.

Overseas sales increased largely due to the increase in export of ductile iron pipes to the Middle East and favorable sales of industrial castings such as reformer tube for petrochemical plants.

3) Environmental Engineering

Sales in Environmental Engineering increased ¥0.5 billion (2.1 %), to ¥24.1 billion from the corresponding period in the prior year, comprising 4.4 % of consolidated net sales. Domestic sales increased ¥0.8 billion (3.7 %), to ¥22.4 billion and overseas sales decreased ¥0.3 billion (15.7 %) to ¥1.6 billion. This segment consists of environmental control plants and pumps.

In the domestic market, despite shrinking demand from public-sector and price deterioration caused by intensifying competition, sales of the Waste Engineering division increased and sales of pumps were almost even level compared with the corresponding period in the prior year. However, sales of the Water & Sewage Engineering decreased. In overseas markets, submerged membrane systems increased favorably, while sales of pumps decreased largely from the corresponding period in the prior year.

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4) Other

Sales in Other decreased ¥0.2 billion (0.4 %), to ¥46.5 billion from the corresponding period in the prior year, comprising 8.5 % of consolidated net sales. Domestic sales were ¥46.4 billion, which was the same level as the corresponding period in the prior year and overseas sales decreased ¥0.2 billion (56.1 %), to ¥0.1 billion from the corresponding period in the prior year. This segment consists of vending machines, electronic-equipped machinery, air-conditioning equipment, septic tanks, condominiums, construction and so forth.

Sales of vending machines and air-conditioning equipment increased favorably, but sales of electronic-equipped machinery remained at the same level as the corresponding period in the prior year. Sales of construction decreased largely due to the restructuring of Kubota Construction, which is a subsidiary of Kubota Corporation. Sales of condominiums increased while sales of septic tanks decreased.

2. Financial condition

(1) Assets, liabilities and shareholders' equity

Total assets at the end of September 2006 amounted to ¥1,461.0 billion, an increase of ¥190.9 billion from the end of the corresponding period in the prior year. As for assets, sales expansion caused large increases in notes and accounts receivable, inventories and short- and long-term finance receivables. Other investments also increased due to an increase in unrealized gains on securities. As for liabilities, trade notes payable and trade accounts payable increased. Interest-bearing debt also increased corresponding to an increase in short- and long-term finance receivables. In addition, deferred tax liabilities (other long-term liabilities) increased due to an increase in unrealized gains on securities and liquidation of a subsidiary. Shareholders' equity substantially increased due to recorded net income and an increase in accumulated other comprehensive income centering on increase in unrealized gains on securities.

Total assets increased ¥55.6 billion compared with those at the end of March 2006. As for assets, inventories and short- and long-term finance receivables increased, and unrealized gains on securities decreased compared with those at the end of March 2006. As for liabilities, interest-bearing debt increased corresponding to an increase in short- and long-term finance receivables. Shareholders' equity increased due to high level of net income in spite of a decrease in accumulated other comprehensive income on unrealized gains on securities. The shareholders' equity ratio decreased by 0.4 percentage points to 42.8 %. The total amount of interest-bearing debt increased by ¥18.7 billion to ¥352.9 billion, compared with those at the end of March 2006.

(2) Cash flows

Net cash provided by operating activities during the six months under review was ¥48.1 billion, an increase of ¥11.9 billion from the corresponding period in the prior year. This increase was resulted mainly from an increase of net income and effect of shifted settlements of trade notes and accounts from September to October that fell on Saturday 30th of September, 2006.

Net cash used in investing activities was ¥38.5 billion, an increase of ¥11.8 billion from the corresponding period in the prior year. Purchases of fixed assets increased due to increase in capital expenditures. In addition, proceeds from sales of property, plant, and equipment, and proceeds from sales of finance receivables decreased. Accordingly, net cash used in investing activities increased largely.

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Net cash provided by financing activities was ¥7.3 billion, an increase of ¥7.8 billion from the corresponding period in the prior year. Although increased dividend payments and purchases of treasury stock increased, financing mainly by short-term borrowings increased net cash provided by financing activities.

As a result, including the effect of exchange rates changes on cash and cash equivalents, cash and cash equivalents at the end of September 2006 was ¥108.5 billion, an increase of ¥16.6 billion from the prior year-end.

3. Matter concerning profit allocation for this fiscal year

The Company resolved to pay ¥5 per share (¥25 per ADS) as the interim dividends at the Board of Directors Meeting held on November 7, 2006.

3. Prospects for the full fiscal year

The Company forecasts consolidated net sales for the year ending March 31, 2007 at ¥1,110.0 billion, up by ¥59.0 billion from the prior year. In the domestic market, the Company expects sales in Environmental Engineering to decrease largely and total domestic sales are expected to decrease slightly from the prior year. As for overseas markets, sales in Internal Combustion Engine and Machinery are expected to increase continuously.

The Company forecasts operating income of ¥125.0 billion, an increase of ¥11.5 billion from the prior year. An increase of sales in Internal Combustion Engine and Machinery, corporate-wide cost reduction, and weaker yen exchange rate are expected to contribute to an increase in operating income, while negative impacts related to Environmental Engineering, such as a decrease of sales resulted from non-nomination for public bidding and an increase of expenses for restructuring the segment put downward pressure on operating income.

The Company expects income before income taxes, minority interests in earnings of subsidiaries, and equity in net income of affiliated companies for the full fiscal year to be ¥133.0 billion, a decrease of ¥7.4 billion from the prior year. The decrease is primarily due to the significant decrease in other income-net by an absence of the gain on nonmonetary exchange of securities (¥15.9 billion) recorded in the prior year. Accordingly, net income is forecast to be ¥78.0 billion, down ¥3.0 billion from the prior year. (These forecasts anticipate an exchange rate of ¥116=US\$1.)

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4. Risk Factors

The Company has several risks that may have a material effect on the Company's consolidated results of operations and financial position. The descriptions of risks are as follows;

- (1) Declines in economic conditions in Kubota's major markets, including private-sector capital expenditure, construction investment, and domestic public investment, may adversely impact the results of operations of the Company.
- (2) Fluctuations of foreign exchange rates, including a stronger yen, may reduce net sales and adversely affect the results of operations of the Company.
- (3) Difficulties associated with operating internationally may adversely affect net sales and profitability.
- (4) The Company utilizes estimations on some accounts in the consolidated financial statements, which may require additional accruals due to unanticipated changes in the basis of assumptions.
- (5) Strategic alliances, mergers, and acquisitions may not generate successful results as planned.
- (6) The Company may not be able to successfully create new businesses or businesses complementary to the current ones.
- (7) Impairment losses on investments in marketable securities may occur as a result of stock market fluctuations.
- (8) In each of its businesses, Kubota is subject to intensifying competitive pressures. The Company must compete successfully to maintain sales and profits.
- (9) The Company may be required to incur significant financial expenses if its products and services have serious defects.
- (10) The Company is subject to various environmental laws and regulations, and may be required to incur considerable expenses in order to comply with such laws and regulations.
- (11) The Company may be required to incur significant financial expenses in connection with environmental damage it may cause in its activities.
- (12) The Company may be required to incur significant expenses relevant to asbestos-related issues.
- (13) The Company may experience a material effect on its consolidated results of operations and financial position if it faces issues related to compliance.

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(14) Damage by Natural Disasters.

For details, please refer to the Kubota s latest annual report on Form 20-F filed with United States Securities and Exchange Commission.

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< Cautionary Statements with Respect to Forward-Looking Statements >

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

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(Unaudited)

(In millions of yen)

| | Six months ended | | Six months ended | | Change | | Year ended | |
|--|------------------|-------------|------------------|-------------|---------------|-------------|----------------|-------------|
| | Sept. 30, 2006 | | Sept. 30, 2005 | | | | Mar. 31, 2006 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| Net sales | 549,039 | 100.0 | 496,229 | 100.0 | 52,810 | 10.6 | 1,051,040 | 100.0 |
| Cost of sales | 383,132 | 69.8 | 350,672 | 70.7 | 32,460 | 9.3 | 747,380 | 71.1 |
| Selling, general and administrative expenses | 91,318 | 16.6 | 82,322 | 16.5 | 8,996 | 10.9 | 185,451 | 17.6 |
| Loss from disposal and impairment of business and fixed assets | 3,578 | 0.7 | 3,425 | 0.7 | 153 | 4.5 | 4,709 | 0.5 |
| Operating income | 71,011 | 12.9 | 59,810 | 12.1 | 11,201 | 18.7 | 113,500 | 10.8 |
| Other income (expenses): | | | | | | | | |
| Interest and dividend income | 10,207 | | 6,670 | | 3,537 | | 14,355 | |
| Interest expense | (5,848) | | (2,950) | | (2,898) | | (7,122) | |
| Gain on sales of securities-net | 880 | | 1,680 | | (800) | | 4,703 | |
| Gain on nonmonetary exchange of securities | | | | | | | 15,901 | |
| Other-net | 477 | | 174 | | 303 | | (931) | |
| Other income, net | 5,716 | | 5,574 | | 142 | | 26,906 | |
| Income before income taxes, minority interests in earnings of subsidiaries, and equity in net income of affiliated companies | 76,727 | 14.0 | 65,384 | 13.2 | 11,343 | 17.3 | 140,406 | 13.4 |
| Income taxes: | | | | | | | | |
| Current | 22,795 | | 20,748 | | 2,047 | | 34,433 | |
| Deferred | 6,259 | | 4,664 | | 1,595 | | 21,634 | |
| Total income taxes | 29,054 | | 25,412 | | 3,642 | | 56,067 | |
| Minority interests in earnings of subsidiaries | 3,993 | | 3,079 | | 914 | | 4,938 | |
| Equity in net income of affiliated companies | 652 | | 1,289 | | (637) | | 1,633 | |
| Net income | 44,332 | 8.1 | 38,182 | 7.7 | 6,150 | 16.1 | 81,034 | 7.7 |
| | | | | | | | | (In yen) |
| Basic earnings per ADS (5 common shares): | 171 | | 147 | | | | 311 | |
| Diluted earnings per ADS (5 common shares): | 171 | | 144 | | | | 308 | |

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(Unaudited)

Assets

(In millions of yen)

| | Sept. 30, 2006 | | Sept. 30, 2005 | | Change | Mar. 31, 2006 | |
|---|----------------|-------|----------------|-------|----------|---------------|-------|
| | Amount | % | Amount | % | Amount | Amount | % |
| Current assets: | | | | | | | |
| Cash and cash equivalents | 108,499 | | 83,879 | | 24,620 | 91,858 | |
| Notes and accounts receivable: | | | | | | | |
| Trade notes | 62,928 | | 55,595 | | 7,333 | 70,007 | |
| Trade accounts | 241,068 | | 218,970 | | 22,098 | 242,865 | |
| Less : Allowance for doubtful receivables | (2,082) | | (2,153) | | 71 | (2,155) | |
| Total receivables, net | 301,914 | | 272,412 | | 29,502 | 310,717 | |
| Short-term finance receivables | 88,648 | | 54,612 | | 34,036 | 79,116 | |
| Inventories | 189,665 | | 159,057 | | 30,608 | 175,660 | |
| Other current assets | 118,495 | | 115,712 | | 2,783 | 100,873 | |
| Total current assets | 807,221 | 55.3 | 685,672 | 54.0 | 121,549 | 758,224 | 54.0 |
| Investments and long-term finance receivables: | | | | | | | |
| Investments in and advances to affiliated companies | 12,944 | | 12,735 | | 209 | 13,145 | |
| Other investments | 221,201 | | 197,384 | | 23,817 | 236,629 | |
| Long-term finance receivables | 141,538 | | 108,623 | | 32,915 | 124,509 | |
| Total investments and long-term finance receivables | 375,683 | 25.7 | 318,742 | 25.1 | 56,941 | 374,283 | 26.6 |
| Property, plant, and equipment: | | | | | | | |
| Land | 82,972 | | 81,635 | | 1,337 | 82,978 | |
| Buildings | 204,486 | | 197,455 | | 7,031 | 203,985 | |
| Machinery and equipment | 369,834 | | 357,341 | | 12,493 | 367,150 | |
| Construction in progress | 7,395 | | 8,523 | | (1,128) | 6,236 | |
| Total | 664,687 | | 644,954 | | 19,733 | 660,349 | |
| Accumulated depreciation | (439,408) | | (425,417) | | (13,991) | (433,977) | |
| Net property, plant, and equipment | 225,279 | 15.4 | 219,537 | 17.3 | 5,742 | 226,372 | 16.1 |
| Other assets | 52,813 | 3.6 | 46,099 | 3.6 | 6,714 | 46,523 | 3.3 |
| Total | 1,460,996 | 100.0 | 1,270,050 | 100.0 | 190,946 | 1,405,402 | 100.0 |

Table of Contents**Consolidated Balance Sheets**

(Unaudited)

Liabilities and Shareholders' Equity

(In millions of yen)

| | Sept. 30, 2006 | | Sept. 30, 2005 | | Change | Mar. 31, 2006 | |
|---|------------------|--------------|------------------|--------------|----------------|------------------|--------------|
| | Amount | % | Amount | % | Amount | Amount | % |
| Current liabilities: | | | | | | | |
| Short-term borrowings | 201,824 | | 135,969 | | 65,855 | 132,209 | |
| Trade notes payable | 29,702 | | 27,760 | | 1,942 | 33,560 | |
| Trade accounts payable | 203,131 | | 163,558 | | 39,573 | 186,901 | |
| Advances received from customers | 7,637 | | 5,613 | | 2,024 | 7,311 | |
| Notes and accounts payable for capital expenditures | 15,089 | | 10,451 | | 4,638 | 13,348 | |
| Accrued payroll costs | 25,488 | | 25,094 | | 394 | 24,310 | |
| Accrued expenses | 30,432 | | 29,264 | | 1,168 | 28,587 | |
| Income taxes payable | 16,717 | | 15,752 | | 965 | 12,376 | |
| Other current liabilities | 30,304 | | 27,575 | | 2,729 | 27,816 | |
| Current portion of long-term debt | 37,493 | | 30,750 | | 6,743 | 50,020 | |
| Total current liabilities | 597,817 | 40.9 | 471,786 | 37.1 | 126,031 | 516,438 | 36.7 |
| Long-term liabilities: | | | | | | | |
| Long-term debt | 113,618 | | 145,143 | | (31,525) | 152,024 | |
| Accrued retirement and pension costs | 48,569 | | 60,889 | | (12,320) | 53,633 | |
| Other long-term liabilities | 42,918 | | 8,310 | | 34,608 | 47,925 | |
| Total long-term liabilities | 205,105 | 14.1 | 214,342 | 16.9 | (9,237) | 253,582 | 18.0 |
| Minority interests | 32,517 | 2.2 | 26,317 | 2.1 | 6,200 | 28,898 | 2.1 |
| Shareholders' equity: | | | | | | | |
| Common stock | 84,070 | | 84,070 | | | 84,070 | |
| Capital surplus | 93,150 | | 93,150 | | | 93,150 | |
| Legal reserve | 19,539 | | 19,539 | | | 19,539 | |
| Retained earnings | 359,649 | | 300,918 | | 58,731 | 323,116 | |
| Accumulated other comprehensive income | 73,761 | | 60,652 | | 13,109 | 86,769 | |
| Treasury stock | (4,612) | | (724) | | (3,888) | (160) | |
| Total shareholders' equity | 625,557 | 42.8 | 557,605 | 43.9 | 67,952 | 606,484 | 43.2 |
| Total | 1,460,996 | 100.0 | 1,270,050 | 100.0 | 190,946 | 1,405,402 | 100.0 |

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

(Unaudited)

(In millions of yen)

| | Six months ended | Six months ended | Year ended |
|---|------------------|------------------|---------------|
| | Sept. 30, 2006 | Sept. 30, 2005 | Mar. 31, 2006 |
| Net income | 44,332 | 38,182 | 81,034 |
| Other comprehensive income (loss), net of tax : | | | |
| Foreign currency translation adjustments | (2,275) | 5,545 | 13,570 |
| Unrealized gains (losses) on securities | (9,899) | 27,892 | 45,017 |
| Unrealized gains (losses) on derivatives | (834) | (292) | 675 |
| Other comprehensive income (loss) | (13,008) | 33,145 | 59,262 |
| Comprehensive income | 31,324 | 71,327 | 140,296 |

Consolidated Statements of Shareholders' Equity

(Unaudited)

Six months ended Sept. 30, 2006

(In millions of yen)

| | Shares of | | | | Retained earnings | Accumulated other comprehensive income (loss) | Treasury stock |
|-----------------------------|-------------------------|--------------|-----------------|---------------|-------------------|---|----------------|
| | common stock | | | | | | |
| | outstanding (thousands) | Common stock | Capital surplus | Legal reserve | | | |
| Balance, Apr. 1, 2006 | 1,299,488 | 84,070 | 93,150 | 19,539 | 323,116 | 86,769 | (160) |
| Net income | | | | | 44,332 | | |
| Other comprehensive loss | | | | | | (13,008) | |
| Cash dividends, ¥30 per ADS | | | | | (7,799) | | |
| (5 common shares) | | | | | | | |
| Purchases of treasury stock | (4,778) | | | | | | (4,452) |
| Balance, Sept. 30, 2006 | 1,294,710 | 84,070 | 93,150 | 19,539 | 359,649 | 73,761 | (4,612) |

Six months ended Sept. 30, 2005

(In millions of yen)

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| | Shares of common stock outstanding (thousands) | Common stock | Capital surplus | Legal reserve | Retained earnings | Accumulated other comprehensive income (loss) | Treasury stock |
|---------------------------------|--|-----------------|--------------------|------------------|----------------------|--|-------------------|
| Balance, Apr. 1, 2005 | 1,300,413 | 78,156 | 87,263 | 19,539 | 290,187 | 27,507 | (21,633) |
| Conversion of convertible bonds | 15,360 | 5,914 | 5,887 | | | | |
| Net income | | | | | 38,182 | | |
| Other comprehensive income | | | | | | 33,145 | |
| Cash dividends, ¥25 per ADS | | | | | (6,504) | | |
| (5 common shares) | | | | | | | |
| Purchases of treasury stock | (50) | | | | | | (38) |
| Retirement of treasury stock | | | | | (20,947) | | 20,947 |
| Balance, Sept. 30, 2005 | 1,315,723 | 84,070 | 93,150 | 19,539 | 300,918 | 60,652 | (724) |

Year ended Mar. 31, 2006

(In millions of yen)

| | Shares of common stock outstanding (thousands) | Common stock | Capital surplus | Legal reserve | Retained earnings | Accumulated other comprehensive income (loss) | Treasury stock |
|---------------------------------|--|-----------------|--------------------|------------------|----------------------|--|-------------------|
| Balance, Apr. 1, 2005 | 1,300,413 | 78,156 | 87,263 | 19,539 | 290,187 | 27,507 | (21,633) |
| Conversion of convertible bonds | 15,360 | 5,914 | 5,887 | | | | |
| Net income | | | | | 81,034 | | |
| Other comprehensive income | | | | | | 59,262 | |
| Cash dividends, ¥45 per ADS | | | | | (11,769) | | |
| (5 common shares) | | | | | | | |
| Purchases of treasury stock | (16,285) | | | | | | (14,863) |
| Retirement of treasury stock | | | | | (36,336) | | 36,336 |
| Balance, Mar. 31, 2006 | 1,299,488 | 84,070 | 93,150 | 19,539 | 323,116 | 86,769 | (160) |

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

(Unaudited)

(In millions of yen)

| | Six months ended Sept. 30, 2006 | Six months ended Sept. 30, 2005 | Change | Year ended Mar. 31, 2006 |
|--|---------------------------------------|---------------------------------------|----------|-----------------------------|
| Operating activities: | | | | |
| Net income | 44,332 | 38,182 | 6,150 | 81,034 |
| Depreciation and amortization | 12,910 | 12,294 | 616 | 25,821 |
| Reversal of accrued retirement and pension costs | (5,237) | (4,983) | (254) | (12,514) |
| Gain on sales of securities | (880) | (1,680) | 800 | (4,703) |
| Gain on nonmonetary exchange of securities | | | | (15,901) |
| (Gain) loss on disposal of fixed assets | 666 | (836) | 1,502 | 23 |
| Equity in net income of affiliated companies | (652) | (1,289) | 637 | (1,633) |
| Deferred income taxes | 6,259 | 4,664 | 1,595 | 21,634 |
| Decrease in notes and accounts receivable | 9,669 | 45,980 | (36,311) | 11,099 |
| Increase in inventories | (13,822) | (765) | (13,057) | (11,736) |
| Increase in other current assets | (28,969) | (36,553) | 7,584 | (10,559) |
| Increase (decrease) in trade notes and accounts payable | 13,037 | (28,016) | 41,053 | (4,060) |
| Increase (decrease) in income taxes payable | 4,302 | 3,422 | 880 | (167) |
| Increase in other current liabilities | 6,686 | 6,800 | (114) | 4,408 |
| Other | (202) | (1,024) | 822 | 5,111 |
| Net cash provided by operating activities | 48,099 | 36,196 | 11,903 | 87,857 |
| Investing activities: | | | | |
| Purchases of fixed assets | (12,156) | (8,288) | (3,868) | (25,680) |
| Purchases of investments and change in advances | (1,212) | (3,489) | 2,277 | 442 |
| Proceeds from sales of property, plant, and equipment | 1,060 | 4,229 | (3,169) | 5,568 |
| Proceeds from sales of investments | 1,254 | 2,755 | (1,501) | 8,499 |
| Proceeds from sale of business | | | | 218 |
| Increase in finance receivables | (86,678) | (61,106) | (25,572) | (142,393) |
| Collection of finance receivables | 59,273 | 34,111 | 25,162 | 80,163 |
| Proceeds from sales of finance receivables | | 4,885 | (4,885) | 11,753 |
| Other | 7 | 209 | (202) | 138 |
| Net cash used in investing activities | (38,452) | (26,694) | (11,758) | (61,292) |
| Financing activities: | | | | |
| Proceeds from issuance of long-term debt | 7,331 | 34,215 | (26,884) | 88,829 |
| Repayments of long-term debt | (58,902) | (38,577) | (20,325) | (71,719) |
| Net increase in short-term borrowings | 71,977 | 11,323 | 60,654 | 335 |
| Cash dividends | (7,799) | (6,504) | (1,295) | (11,769) |
| Purchases of treasury stock | (4,455) | (58) | (4,397) | (14,898) |
| Other | (829) | (886) | 57 | (964) |
| Net cash provided by (used in) financing activities | 7,323 | (487) | 7,810 | (10,186) |
| Effect of exchange rate changes on cash and cash equivalents | (329) | 301 | (630) | 916 |

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| | | | | |
|---|---------|--------|--------|--------|
| Net increase in cash and cash equivalents | 16,641 | 9,316 | 7,325 | 17,295 |
| Cash and cash equivalents, beginning of period | 91,858 | 74,563 | 17,295 | 74,563 |
| Cash and cash equivalents, end of period | 108,499 | 83,879 | 24,620 | 91,858 |

(In millions of yen)

Notes:

Cash paid:

| | | | | |
|--------------|--------|--------|-------|--------|
| Interest | 5,554 | 2,948 | 2,606 | 6,911 |
| Income taxes | 18,611 | 17,603 | 1,008 | 32,724 |

Table of Contents**Consolidated Segment Information**

(Unaudited)

(1) Information by Industry Segment

Six months ended Sept. 30, 2006

(In millions of yen)

| | Pipes, Valves | | | | Total | Corporate & Eliminations | Consolidated |
|--------------------------------------|---|--------------------------|------------------------------|--------|---------|--------------------------------|--------------|
| | Internal Combustion Engine & Machinery | & Industrial Castings | Environmental Engineering | Other | | | |
| Net sales | | | | | | | |
| Unaffiliated customers | 394,566 | 83,878 | 24,082 | 46,513 | 549,039 | | 549,039 |
| Intersegment | 8 | 451 | 180 | 7,632 | 8,271 | (8,271) | |
| Total | 394,574 | 84,329 | 24,262 | 54,145 | 557,310 | (8,271) | 549,039 |
| Cost of sales and operating expenses | 323,654 | 74,564 | 28,267 | 51,888 | 478,373 | (345) | 478,028 |
| Operating income (loss) | 70,920 | 9,765 | (4,005) | 2,257 | 78,937 | (7,926) | 71,011 |

Six months ended Sept. 30, 2005

(In millions of yen)

| | Pipes, Valves | | | | Total | Corporate & Eliminations | Consolidated |
|--------------------------------------|---|--------------------------|------------------------------|--------|---------|--------------------------------|--------------|
| | Internal Combustion Engine & Machinery | & Industrial Castings | Environmental Engineering | Other | | | |
| Net sales | | | | | | | |
| Unaffiliated customers | 343,432 | 82,536 | 23,576 | 46,685 | 496,229 | | 496,229 |
| Intersegment | 22 | 543 | 37 | 6,488 | 7,090 | (7,090) | |
| Total | 343,454 | 83,079 | 23,613 | 53,173 | 503,319 | (7,090) | 496,229 |
| Cost of sales and operating expenses | 282,992 | 76,871 | 25,623 | 53,176 | 438,662 | (2,243) | 436,419 |
| Operating income (loss) | 60,462 | 6,208 | (2,010) | (3) | 64,657 | (4,847) | 59,810 |

Year ended Mar. 31, 2006

(In millions of yen)

| | Pipes, Valves | | | | Total | Corporate & Eliminations | Consolidated |
|-----------|---|--------------------------|------------------------------|-------|-------|--------------------------------|--------------|
| | Internal Combustion Engine & Machinery | & Industrial Castings | Environmental Engineering | Other | | | |
| Net sales | | | | | | | |

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| | | | | | | | |
|--------------------------------------|---------|---------|---------|---------|-----------|----------|-----------|
| Unaffiliated customers | 658,776 | 189,708 | 110,479 | 92,077 | 1,051,040 | | 1,051,040 |
| Intersegment | 40 | 2,184 | 209 | 15,176 | 17,609 | (17,609) | |
| Total | 658,816 | 191,892 | 110,688 | 107,253 | 1,068,649 | (17,609) | 1,051,040 |
| Cost of sales and operating expenses | 555,687 | 172,637 | 106,475 | 105,073 | 939,872 | (2,332) | 937,540 |
| Operating income | 103,129 | 19,255 | 4,213 | 2,180 | 128,777 | (15,277) | 113,500 |

Table of Contents**(2) Information by Geographic Segment**

Six months ended Sept. 30, 2006

(In millions of yen)

| | Corporate | | | | | |
|--------------------------------------|-----------|---------------|-------------|---------|-------------------|--------------|
| | Japan | North America | Other Areas | Total | & Eliminations | Consolidated |
| Net sales | | | | | | |
| Unaffiliated customers | 289,274 | 168,603 | 91,162 | 549,039 | | 549,039 |
| Intersegment | 133,790 | 4,251 | 2,835 | 140,876 | (140,876) | |
| Total | 423,064 | 172,854 | 93,997 | 689,915 | (140,876) | 549,039 |
| Cost of sales and operating expenses | 376,707 | 154,590 | 81,579 | 612,876 | (134,848) | 478,028 |
| Operating income | 46,357 | 18,264 | 12,418 | 77,039 | (6,028) | 71,011 |

Six months ended Sept. 30, 2005

(In millions of yen)

| | Corporate | | | | | |
|--------------------------------------|-----------|---------------|-------------|---------|-------------------|--------------|
| | Japan | North America | Other Areas | Total | & Eliminations | Consolidated |
| Net sales | | | | | | |
| Unaffiliated customers | 291,921 | 138,761 | 65,547 | 496,229 | | 496,229 |
| Intersegment | 117,306 | 3,118 | 1,881 | 122,305 | (122,305) | |
| Total | 409,227 | 141,879 | 67,428 | 618,534 | (122,305) | 496,229 |
| Cost of sales and operating expenses | 365,478 | 128,563 | 59,864 | 553,905 | (117,486) | 436,419 |
| Operating income | 43,749 | 13,316 | 7,564 | 64,629 | (4,819) | 59,810 |

Year ended Mar. 31, 2006

(In millions of yen)

| | Corporate | | | | | |
|--------------------------------------|-----------|---------------|-------------|-----------|-------------------|--------------|
| | Japan | North America | Other Areas | Total | & Eliminations | Consolidated |
| Net sales | | | | | | |
| Unaffiliated customers | 659,062 | 273,078 | 118,900 | 1,051,040 | | 1,051,040 |
| Intersegment | 250,976 | 4,934 | 4,070 | 259,980 | (259,980) | |
| Total | 910,038 | 278,012 | 122,970 | 1,311,020 | (259,980) | 1,051,040 |
| Cost of sales and operating expenses | 807,788 | 257,080 | 111,547 | 1,176,415 | (238,875) | 937,540 |
| Operating income | 102,250 | 20,932 | 11,423 | 134,605 | (21,105) | 113,500 |

(3) Overseas Sales

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Six months ended Sept. 30, 2006

(In millions of yen)

| | North America | Other Areas | Total |
|---|---------------|-------------|---------|
| Overseas sales | 167,917 | 106,321 | 274,238 |
| Consolidated net sales | | | 549,039 |
| Ratio of overseas sales to consolidated net sales | 30.6% | 19.3% | 49.9% |

Six months ended Sept. 30, 2005

(In millions of yen)

| | North America | Other Areas | Total |
|---|---------------|-------------|---------|
| Overseas sales | 138,710 | 78,060 | 216,770 |
| Consolidated net sales | | | 496,229 |
| Ratio of overseas sales to consolidated net sales | 28.0% | 15.7% | 43.7% |

Year ended Mar. 31, 2006

(In millions of yen)

| | North America | Other Areas | Total |
|---|---------------|-------------|-----------|
| Overseas sales | 271,329 | 148,900 | 420,229 |
| Consolidated net sales | | | 1,051,040 |
| Ratio of overseas sales to consolidated net sales | 25.8% | 14.2% | 40.0% |

Table of Contents**Fair Value of Other Investments**

(Unaudited)

The Company classifies its holdings of marketable equity securities and all of its debt securities as available for sale securities, which are reported at their fair value on the Company's balance sheets. The following table presents cost, fair value, and net unrealized holding gains for securities by major security type at September 30, 2006, 2005, and March 31, 2006.

(In millions of yen)

| | Sept. 30, 2006 | | | Sept. 30, 2005 | | | Mar. 31, 2006 | | |
|---|----------------|----------------|--------------------------|----------------|----------------|--------------------------|---------------|----------------|--------------------------|
| | Cost | Fair value | Net | Cost | Fair value | Net | Cost | Fair value | Net |
| | | | unrealized holding gains | | | unrealized holding gains | | | unrealized holding gains |
| Other investments (*): | | | | | | | | | |
| Equity securities of financial institutions | 37,025 | 141,360 | 104,335 | 21,758 | 122,562 | 100,804 | 37,208 | 153,697 | 116,489 |
| Other equity securities | 20,845 | 68,595 | 47,750 | 20,869 | 59,937 | 39,068 | 19,970 | 71,705 | 51,735 |
| Other | | | | 3,200 | 3,204 | 4 | | | |
| Total | 57,870 | 209,955 | 152,085 | 45,827 | 185,703 | 139,876 | 57,178 | 225,402 | 168,224 |

(*) Other investments on the Company's balance sheets includes investments in non-traded and unaffiliated companies, for which there is no readily determinable fair value. They were stated at cost of ¥11,246 million, ¥11,681 million, and ¥11,227 million at September 30, 2006, 2005, and March 31, 2006, respectively.

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Notes:

1. The United States dollar amounts included herein represent translations using the approximate exchange rate on September 30, 2006, of ¥118 = US\$1, solely for convenience.

2. Each American Depositary Share (ADS) represents five common shares.

3. 121 subsidiaries are consolidated.

Major consolidated subsidiaries:

Domestic

Kubota Construction Co., Ltd.

Kubota Credit Co., Ltd.

Kubota Maison Co., Ltd.

Kubota Environmental Service Co., Ltd.

Overseas

Kubota-C.I. Co., Ltd.

Kubota Tractor Corporation

Kubota Credit Corporation, U.S.A.

Kubota Manufacturing of America Corporation

Kubota Engine America Corporation

Kubota Metal Corporation

Kubota Baumaschinen GmbH

Kubota Europe S.A.S.

4. 24 affiliated companies are accounted for under the equity method.

Major affiliated companies :

Domestic

17 sales companies of farm equipment

Kubota Matsushitadenko Exterior Works, Ltd.

5. Summary of accounting policies

1) The accompanying consolidated financial information has been prepared in accordance with accounting principles generally accepted in the United States of America except for the presentation for segment information described

- in 2).
- 2) The consolidated segment information is prepared in accordance with a requirement of the Japanese Securities and Exchange regulations. This disclosure is not consistent with SFAS No.131, Disclosures about Segments of an Enterprise and Related Information .
 6. The consolidated financial information for the prior period and the prior year has been reclassified to conform to the presentation for the six months ended September 30, 2006.

Table of Contents**Consolidated Net Sales by Industry Segment**

(Unaudited)

(In millions of yen)

| | Six months ended | | Six months ended | | Change | | Year ended | |
|---|--------------------------|-------------|--------------------------|-------------|---------------|--------------|-------------------------|-------------|
| | Sept. 30, 2006 Amount | % | Sept. 30, 2005 Amount | % | Amount | % | Mar. 31, 2006 Amount | % |
| Farm Equipment and Engines | 342,294 | 62.3 | 304,603 | 61.4 | 37,691 | 12.4 | 578,164 | 55.0 |
| Domestic | 123,327 | | 126,445 | | (3,118) | (2.5) | 240,722 | |
| Overseas | 218,967 | | 178,158 | | 40,809 | 22.9 | 337,442 | |
| Construction Machinery | 52,272 | 9.5 | 38,829 | 7.8 | 13,443 | 34.6 | 80,612 | 7.7 |
| Domestic | 13,252 | | 12,264 | | 988 | 8.1 | 26,559 | |
| Overseas | 39,020 | | 26,565 | | 12,455 | 46.9 | 54,053 | |
| Internal Combustion Engine & Machinery | 394,566 | 71.8 | 343,432 | 69.2 | 51,134 | 14.9 | 658,776 | 62.7 |
| Domestic | 136,579 | 24.8 | 138,709 | 28.0 | (2,130) | (1.5) | 267,281 | 25.4 |
| Overseas | 257,987 | 47.0 | 204,723 | 41.2 | 53,264 | 26.0 | 391,495 | 37.3 |
| Pipes and Valves | 64,473 | 11.8 | 62,456 | 12.6 | 2,017 | 3.2 | 150,559 | 14.3 |
| Domestic | 59,191 | | 59,392 | | (201) | (0.3) | 142,071 | |
| Overseas | 5,282 | | 3,064 | | 2,218 | 72.4 | 8,488 | |
| Industrial Castings | 19,405 | 3.5 | 20,080 | 4.0 | (675) | (3.4) | 39,149 | 3.7 |
| Domestic | 10,203 | | 13,330 | | (3,127) | (23.5) | 25,115 | |
| Overseas | 9,202 | | 6,750 | | 2,452 | 36.3 | 14,034 | |
| Pipes, Valves & Industrial Castings | 83,878 | 15.3 | 82,536 | 16.6 | 1,342 | 1.6 | 189,708 | 18.0 |
| Domestic | 69,394 | 12.7 | 72,722 | 14.6 | (3,328) | (4.6) | 167,186 | 15.9 |
| Overseas | 14,484 | 2.6 | 9,814 | 2.0 | 4,670 | 47.6 | 22,522 | 2.1 |
| Environmental Engineering | 24,082 | 4.4 | 23,576 | 4.8 | 506 | 2.1 | 110,479 | 10.5 |
| Domestic | 22,441 | 4.1 | 21,630 | 4.4 | 811 | 3.7 | 105,505 | 10.0 |
| Overseas | 1,641 | 0.3 | 1,946 | 0.4 | (305) | (15.7) | 4,974 | 0.5 |
| Building Materials & Housing | 9,072 | 1.7 | 8,412 | 1.7 | 660 | 7.8 | 13,512 | 1.3 |
| Domestic | 9,072 | | 8,412 | | 660 | 7.8 | 13,512 | |
| Other | 37,441 | 6.8 | 38,273 | 7.7 | (832) | (2.2) | 78,565 | 7.5 |

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| | | | | | | | | |
|--------------|----------------|--------------|----------------|--------------|---------------|--------------|------------------|--------------|
| Domestic | 37,315 | | 37,986 | | (671) | (1.8) | 77,327 | |
| Overseas | 126 | | 287 | | (161) | (56.1) | 1,238 | |
| Other | 46,513 | 8.5 | 46,685 | 9.4 | (172) | (0.4) | 92,077 | 8.8 |
| Domestic | 46,387 | 8.5 | 46,398 | 9.3 | (11) | (0.0) | 90,839 | 8.7 |
| Overseas | 126 | 0.0 | 287 | 0.1 | (161) | (56.1) | 1,238 | 0.1 |
| Total | 549,039 | 100.0 | 496,229 | 100.0 | 52,810 | 10.6 | 1,051,040 | 100.0 |
| Domestic | 274,801 | 50.1 | 279,459 | 56.3 | (4,658) | (1.7) | 630,811 | 60.0 |
| Overseas | 274,238 | 49.9 | 216,770 | 43.7 | 57,468 | 26.5 | 420,229 | 40.0 |

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Table of Contents**Anticipated Consolidated Net Sales by Industry Segment**

(In billions of yen)

| | Year ending | | Year ended | | Change | |
|---|-------------------------|--------------|-------------------------|--------------|---------------|---------------|
| | Mar. 31, 2007 Amount | % | Mar. 31, 2006 Amount | % | Amount | % |
| Domestic | 263.0 | | 267.3 | | (4.3) | (1.6) |
| Overseas | 458.0 | | 391.5 | | 66.5 | 17.0 |
| Internal Combustion Engine & Machinery | 721.0 | 65.0 | 658.8 | 62.7 | 62.2 | 9.4 |
| Domestic | 165.0 | | 167.2 | | (2.2) | (1.3) |
| Overseas | 29.0 | | 22.5 | | 6.5 | 28.9 |
| Pipes, Valves & Industrial Castings | 194.0 | 17.5 | 189.7 | 18.0 | 4.3 | 2.3 |
| Domestic | 92.0 | | 105.5 | | (13.5) | (12.8) |
| Overseas | 7.0 | | 5.0 | | 2.0 | 40.0 |
| Environmental Engineering | 99.0 | 8.9 | 110.5 | 10.5 | (11.5) | (10.4) |
| Domestic | 95.0 | | 90.8 | | 4.2 | 4.6 |
| Overseas | 1.0 | | 1.2 | | (0.2) | (16.7) |
| Other | 96.0 | 8.6 | 92.0 | 8.8 | 4.0 | 4.3 |
| Grand Total | 1,110.0 | 100.0 | 1,051.0 | 100.0 | 59.0 | 5.6 |
| Domestic | 615.0 | 55.4 | 630.8 | 60.0 | (15.8) | (2.5) |
| Overseas | 495.0 | 44.6 | 420.2 | 40.0 | 74.8 | 17.8 |

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Kubota Corporation
(Parent Company Only)

Non-consolidated Financial Highlights

(Unaudited)

- (1) The date of the Board of Directors Meeting Tuesday, November 7, 2006
- (2) Payment date of interim dividends Tuesday, December 5, 2006

- (3) Results of operations (In millions of yen except per ADS information)

| | Six months ended | Change | Six months ended | Change | Year ended |
|--------------------------------------|------------------|--------|------------------|--------|---------------|
| | Sept. 30, 2006 | (*) | Sept. 30, 2005 | (*) | Mar. 31, 2006 |
| Net sales | ¥ 322,835 | 3.0% | ¥ 313,573 | 10.4% | ¥ 693,503 |
| Operating income | ¥ 34,735 | 17.0% | ¥ 29,688 | 57.4% | ¥ 74,766 |
| % of net sales | 10.8% | | 9.5% | | 10.8% |
| Ordinary income | ¥ 38,471 | 21.9% | ¥ 31,562 | 28.2% | ¥ 81,032 |
| % of net sales | 11.9% | | 10.1% | | 11.7% |
| Net income | ¥ 22,464 | 5.6% | ¥ 21,273 | 4.9% | ¥ 47,630 |
| % of net sales | 7.0% | | 6.8% | | 6.9% |
| Net income per ADS (5 common shares) | ¥ 87 | | ¥ 82 | | ¥ 182 |

Notes to results of operations :

- Weighted-average number of shares outstanding during the six months ended September 30, 2006 1,298,237,826
Weighted-average number of shares outstanding during the six months ended September 30, 2005 1,303,363,924
Weighted-average number of shares outstanding during the year ended March 31, 2006 1,304,491,173
 - (*) represents percentage change from the comparable previous period.
- (4) Cash dividends

| | |
|--|------|
| Interim cash dividends per ADS (5 common shares) for the six months ended September 30, 2006 | ¥ 25 |
| Interim cash dividends per ADS (5 common shares) for the six months ended September 30, 2005 | ¥ 20 |
| Cash dividends per ADS (5 common shares) for the fiscal year ended March 31, 2006 | ¥ 50 |

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(5) Financial position

(In millions of yen except per ADS information)

| | Sept. 30, 2006 | Sept. 30, 2005 | Mar. 31, 2006 |
|--|-------------------|-------------------|------------------|
| Total assets | ¥ 905,989 | ¥ 848,535 | ¥ 922,838 |
| Shareholders' equity | ¥ 485,208 | ¥ 452,249 | ¥ 484,759 |
| Ratio of shareholders' equity to total assets | 53.6% | 53.3% | 52.5% |
| Shareholders' equity per ADS (5 common shares) | ¥ 1,873 | ¥ 1,718 | ¥ 1,864 |

Notes to financial position:

| | |
|---|---------------|
| Number of shares outstanding as of September 30, 2006 | 1,295,073,809 |
| Number of shares outstanding as of September 30, 2005 | 1,316,117,218 |
| Number of shares outstanding as of March 31, 2006 | 1,299,845,909 |
| Number of treasury stocks as of September 30, 2006 | 4,795,371 |
| Number of treasury stocks as of September 30, 2005 | 1,051,962 |
| Number of treasury stocks as of March 31, 2006 | 23,271 |

(6) Anticipated annual results of operations

(In millions of yen except per ADS information)

| | Year ending Mar. 31, 2007 |
|--|------------------------------|
| Net sales | ¥ 702,000 |
| Ordinary income | ¥ 78,500 |
| Net income | ¥ 45,500 |
| Annual dividends per ADS (5 common shares) | |
| Net income per ADS (5 common shares) | ¥ 176 |

Notes to anticipated results of operations for the year ending March 31, 2007 :

1. The non-consolidated financial information is prepared in accordance with accounting principles generally accepted in Japan and includes the information of the parent company only. It should not be confused with condensed consolidated financial information.
2. All figures in the non-consolidated financial information have been rounded down except per ADS information.
3. Forecast of cash dividends per ADS is not disclosed.
4. Please refer to page 8-10 for further information related to the anticipated results of operations mentioned above.

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November 7, 2006

To whom it may concern

Kubota Corporation

2-47, Shikitsu-higashi 1-chome,
Naniwa-ku, Osaka 556-8601, Japan

Contact: IR Group

Finance & Accounting Department

Phone: +81-6-6648-2645

Notice on interim dividend

Please be advised that Kubota Corporation (hereinafter the Company) resolved at the Board of Directors Meeting held on November 7, 2006 that the Company would pay interim dividend.

1. Details of interim dividend

- 1) Record date: September 30, 2006
- 2) Interim dividend per ADS: ¥25
- 3) Date of payment: December 5, 2006
- 4) Resource of interim dividend: Retained earnings

2. Reasons for raising interim dividend

For the prior year, the Company raised the annual dividend per ADS from past ¥40 to ¥50. The Company decided to pay a half of the prior year's annual dividend as interim dividend of this fiscal year.

(Reference)

(Unit: ¥ per ADS)

| | Interim dividend | | Year-end dividend | | Annual dividend |
|------------------------------|------------------|----|-------------------|--------------------|--------------------|
| This fiscal year | | | | | |
| (Year ending March 31, 2007) | ¥ | 25 | | Not yet determined | Not yet determined |
| The prior year | | | | | |
| (Year ended March 31, 2006) | ¥ | 20 | ¥ | 30 | ¥ 50 |

End of document

< Cautionary Statements with Respect to Forward-Looking Statements >

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

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

KUBOTA CORPORATION

Date: December 4, 2006

By: /s/ Shigeru Kimura
Name: Shigeru Kimura
Title: General Manager
Finance & Accounting Department