[Translation]

Quarterly Report

(The Third Quarter of 127th Business Term)
From July 1, 2016 to September 30, 2016

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

Kubota Corporation

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This is an English translation of the Quarterly Report filed with the Director of the Kanto Local Finance Bureau via Electronic Disclosure for Investors' NETwork ("EDINET") pursuant to the Financial Instruments and Exchange Act of Japan.

The translation of the Confirmation Letter for the original Quarterly Report is included at the end of this document.

As used in this Quarterly Report herein, the "Company" refers to Kubota Corporation and its subsidiaries unless the context otherwise indicates.

References in this document to the "Financial Instruments and Exchange Act of Japan" are to the Financial Instruments and Exchange Act of Japan and other laws and regulations amending and/or supplementing the Financial Instruments and Exchange Act of Japan.

1. Overview of the Company

1. Key Financial Data

(¥ in millions, except per share amounts)

	Nine months ended September 30, 2016	Nine months ended December 31, 2015
Revenues	¥ 1,181,376 [385,240]	¥ 1,244,775
Income before income taxes and equity in net income of affiliated companies	142,166	169,504
Net income attributable to Kubota Corporation	93,068 [30,747]	110,107
Comprehensive income (loss)	(17,105)	82,060
Kubota Corporation shareholders' equity	1,079,633	1,140,310
Total equity	1,145,898	1,218,558
Total assets	2,381,127	2,532,926
Net income attributable to Kubota Corporation per common share:		
Basic	74.83 [24.74]	88.47
Diluted	—	—
Kubota Corporation shareholders' equity ratio (%)	45.34	45.02
Net cash provided by operating activities	128,781	197,040
Net cash used in investing activities	(148,084)	(130,307)
Net cash provided by (used in) financing activities	13,304	(27,671)
Cash and cash equivalents, end of period	123,494	146,286

(Notes)

1. The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").
2. The figures of "Revenues," "Net income attributable to Kubota Corporation," and "Net income attributable to Kubota Corporation per common share—Basic" in square brackets are those for the three months ended September 30, 2016.
3. Revenues do not include consumption taxes.
4. Amounts less than presentation units are rounded.
5. "Net income attributable to Kubota Corporation per common share—Diluted" is not stated because Kubota Corporation did not have potential dilutive common shares that were outstanding for the period.
6. Since Kubota Corporation changed its fiscal year-end from March 31 to December 31 from the 126th business term and the same change in the fiscal year-end was made to subsidiaries in Japan that had fiscal year-ends other than December 31, the 126th business term was the nine-month period that commenced on April 1, 2015 and ended on December 31, 2015. Accordingly, consolidated financial statements for the third quarter of the 126th business term were not prepared, and therefore the key financial data for the third quarter of the 126th business term are not presented in this report.
7. The Company adopted a new accounting standard related to debt issuance costs on January 1, 2016. To reflect the impact of the adoption, the Company has retrospectively adjusted the consolidated financial statements for all periods presented.

2. Description of Business

There were no material changes in the Company's business during the nine months ended September 30, 2016, nor were there any material changes in its subsidiaries and affiliated companies.

2. Business Overview

1. Risk Factors

For the nine months ended September 30, 2016, none of the events or facts described in “2. Business Overview” or “4. Financial Information” had a material influence on investors’ investment decisions. There was no material change in the information described in the Risk Factors section of the Annual Securities Report for the nine months ended December 31, 2015.

In addition, there are no material concerns or events as of the filing date of this quarterly report.

2. Material Contracts

There was no material contract which was decided to be concluded or concluded for the three months ended September 30, 2016.

3. Analyses of Consolidated Financial Condition, Results of Operations, and Cash Flows

In order for the Company to strengthen and refine its financial reporting and management systems throughout the world by aligning the accounting year of Kubota Corporation with its foreign subsidiaries, a partial amendment to the Articles of Incorporation was resolved at the 125th Ordinary General Meeting of Shareholders held on June 19, 2015. Accordingly, Kubota Corporation changed its fiscal year-end from March 31 to December 31. The same change in the fiscal year-end was made to subsidiaries in Japan that had fiscal year-ends other than December 31. Therefore, the results of operations for the nine months ended September 30, 2016 are compared with the results for the same period in the prior year that commenced on January 1, 2015 and ended on September 30, 2015.

(1) Analyses of Results of Operations

For the nine months ended September 30, 2016, revenues of the Company decreased by ¥73.6 billion (5.9%) from the same period in the prior year to ¥1,181.4 billion.

Domestic revenues decreased in all segments; Farm & Industrial Machinery; Water & Environment; and Other; by ¥25.8 billion (5.9%) from the same period in the prior year to ¥413.1 billion.

Overseas revenues decreased by ¥47.8 billion (5.9%) from the same period in the prior year to ¥768.2 billion. In Farm & Industrial Machinery, revenues were down due to the negative impact of yen appreciation while sales of construction machinery, combine harvesters and rice transplanters rose. Revenues in Water & Environment also decreased mainly due to a decrease in sales of ductile iron pipes and industrial castings.

Operating income decreased by ¥21.7 billion (12.8%) from the same period in the prior year to ¥148.0 billion since the increased revenues on a constant-currency basis could not offset the negative impact of yen appreciation and increased sales promotion expenses. Income before income taxes and equity in net income of affiliated companies, which is operating income less other expenses-net of ¥5.8 billion, decreased by ¥26.6 billion (15.8%) from the same period in the prior year to ¥142.2 billion. Income taxes were ¥43.0 billion and net income decreased by ¥19.4 billion (16.1%) from the same period in the prior year to ¥100.8 billion. Net income attributable to Kubota Corporation decreased by ¥18.9 billion (16.9%) from the same period in the prior year to ¥93.1 billion.

Revenues from external customers and operating income by each reporting segment were as follows:

1) Farm & Industrial Machinery

Farm & Industrial Machinery is comprised of farm equipment, agricultural-related products, engines, construction machinery, and electronic equipped machinery.

Revenues in this segment decreased by 4.9% from the same period in the prior year to ¥946.8 billion and accounted for 80.2% of consolidated revenues.

Domestic revenues decreased by 8.0% from the same period in the prior year to ¥216.3 billion. Sales of tractors and construction machinery decreased mainly due to the adverse reaction to the front-loaded demand caused by the strengthening of emission regulations last fiscal year.

Overseas revenues decreased by 4.0% from the same period in the prior year to ¥730.5 billion. Overseas revenues grew steadily on a local currency basis in all regions. In North America, significantly increased sales of construction machinery due to favorable market demand and the full-scale entry of new products offset by lower sales of tractors, which was caused by stagnation in the agricultural market and delay of shipments in the first half of the current year. In Europe, sales of tractors, engines, and construction machinery increased due to market expansion along with the economic recovery and investment promotion tax policy in France, full-scale entry of large-scale tractors, and expanded sales in Turkey while sales of implements in the agriculture-related market declined. Revenues in Asia outside Japan were higher than in the prior year. In Thailand, revenues remained almost flat since the positive impact of strong sales after the rainy season and expansion in exports to surrounding countries offset the negative impact of decreased sales of tractors in the first half of the current year, which was linked to water shortages caused by the drought last year. Sales of farm equipment increased in China, where new lines of products were launched, and in Indonesia, where agricultural mechanization has been proceeding. However, revenues translated in yen in all regions, North America, Europe, and Asia outside Japan, decreased due to the effect of considerable yen appreciation against all foreign currencies.

Operating income in Farm & Industrial Machinery decreased by 13.6% from the same period in the prior year to ¥145.5 billion since the increased revenues on a constant-currency basis could not offset the negative impact of yen appreciation and higher sales promotion expenses.

2) Water & Environment

Water & Environment is comprised of pipe-related products (ductile iron pipes, plastic pipes, pumps, valves, and other products), environment-related products (environmental control plants and other products), and social infrastructure-related products (industrial castings, ceramics, spiral-welded steel pipes, and other products).

Revenues in this segment decreased by 10.1% from the same period in the prior year to ¥212.9 billion and accounted for 18.0% of consolidated revenues.

Domestic revenues decreased by 3.7% from the same period in the prior year to ¥175.4 billion. Revenues from pipe-related products decreased due to lower sales of pumps, plastic pipes, and valves mainly related to public works spending. Revenues from social infrastructure-related products also decreased as a result of the impact of lower sales of spiral-welded steel pipes. Revenues from environment-related products increased as the impact of higher sales from the operation and maintenance of facilities exceeded a decrease in sales of waste water treatment equipment and plants.

Overseas revenues decreased by 31.3% from the same period in the prior year to ¥37.6 billion. Revenues from pipe-related products significantly decreased mainly due to a drop in shipments of ductile iron pipes for large-scale projects. Revenues from social infrastructure-related products also decreased due to lower sales of industrial castings. Revenues from environment-related products increased from the same period in the prior year due to higher sales of membrane systems and water & environment plant business, such as water & gas treatment facilities.

Operating income in Water & Environment decreased by 10.2% from the same period in the prior year to ¥16.9 billion mainly due to the negative impact of lower revenues.

3) Other

Other is comprised of a variety of services and housing materials.

Revenues in this segment decreased by 2.0% from the same period in the prior year to ¥21.7 billion, and accounted for 1.8% of consolidated revenues.

Operating income in Other increased by 6.8% from the same period in the prior year to ¥2.6 billion.

(2) Analyses of Financial Condition

Total assets at September 30, 2016 amounted to ¥2,381.1 billion, a decrease of ¥151.8 billion from the prior fiscal year-end. Among assets, the yen value of assets denominated in foreign currencies, such as short- and long-term finance receivables, and notes and accounts receivable, decreased substantially due to the effect of considerable yen appreciation compared to the prior fiscal year-end.

Among liabilities, trade notes payable and trade accounts payable significantly decreased. In addition, the aggregated amount of interest-bearing debt, which is composed of short-term borrowings, the current portion of long-term debt, and long-term debt, decreased due to the effect of yen appreciation.

Equity decreased as the accumulation of retained earnings could not compensate for the deterioration in accumulated other comprehensive income (loss) due to fluctuations in exchange rates and stock prices. The shareholders' equity ratio was 45.3 %, 0.3 percentage points higher than at the prior fiscal year-end.

(3) Analyses of Cash Flows

Net cash provided by operating activities for the nine months ended September 30, 2016 was ¥128.8 billion, a decrease of ¥35.9 billion in cash inflow from the same period in the prior year. This decrease resulted from a decline in net income as well as the changes in working capital, including notes and accounts receivable, and trade notes and accounts payable.

Net cash used in investing activities was ¥148.1 billion, an increase of ¥50.3 billion in cash outflow from the same period in the prior year. This increase was mainly due to a rise in payments for acquisition of business while cash outflow related to an increase in finance receivables decreased.

Net cash provided by financing activities was ¥13.3 billion as compared to ¥50.1 billion of net cash outflow for the same period in the prior year. This increase mainly resulted from an increase in cash inflow from borrowings while payments of cash dividends during this period increased related to the change in the fiscal year-end in the prior year.

As a result of the above, and after taking into account the effects of exchange rate changes, cash and cash equivalents at September 30, 2016 were ¥123.5 billion, a decrease of ¥22.8 billion from the beginning of the current fiscal year.

(4) Issues to Address on Business and Finance

There was no material change in the issues for the Company to address for the nine months ended September 30, 2016. Also, no additional issues arose.

(5) Research and Development

The Company's research and development expenses for the nine months ended September 30, 2016 were ¥31.0 billion. There was no material change in the Company's research and development activities for the nine months ended September 30, 2016.

(6) Major Property, Plant, and Equipment

The following table presents a plan for new construction of material property, plant, and equipment which was decided for the nine months ended September 30, 2016:

Company name Facility (Location)	Reporting segment	Description	Estimated amount of expenditures Total amount of expenditures	Estimated amount of expenditures Amount already paid	Schedule Commenced	Schedule To be completed
Kubota Agricultural Machinery (SUZHOU) Co., Ltd. (Jiangsu, CHINA)	Farm & Industrial Machinery	Building of new facilities to increase production of tractors and combine harvesters	(millions of RMB) 297	(millions of RMB) —	January 2016	December 2017
Kubota Corporation Hirakata Plant (Hirakata-shi, Osaka, JAPAN)	Farm & Industrial Machinery, Water & Environment	Building of a new office and welfare facility	(millions of JPY) 4,040	(millions of JPY) —	October 2016	November 2018

3. Information on Kubota Corporation

1. Information on the Shares of Kubota Corporation

(1) Total Number of Shares

1) Total Number of Shares

Class	Total number of shares authorized to be issued (shares)
Common shares	1,874,700,000
Total	1,874,700,000

2) Issued Shares

Class	Number of shares issued as of end of period (shares) (September 30, 2016)	Number of shares issued as of filing date (shares) (November 11, 2016)	Stock exchange on which Kubota Corporation is listed	Description
Common shares	1,244,919,180	1,244,919,180	Tokyo Stock Exchange, Inc. (the first section)	The number of shares per one unit of shares is 100 shares.
Total	1,244,919,180	1,244,919,180	—	—

(2) Information on Share Acquisition Rights

Not applicable

(3) Information on Moving Strike Convertible Bonds

Not applicable

(4) Information on Shareholder Right Plans

Not applicable

(5) Changes in the Total Number of Issued Shares, the Amount of Common Shares, and Other

Date	Changes in the total number of issued shares (thousands of shares)	Balance of the total number of issued shares (thousands of shares)	Changes in common shares (¥ in millions)	Balance of common shares (¥ in millions)	Changes in capital reserve (¥ in millions)	Balance of capital reserve (¥ in millions)
From: July 1, 2016 To: September 30, 2016	—	1,244,919	¥ —	¥ 84,070	¥ —	¥ 73,057

(6) Major Shareholders

Not applicable

(7) Information on Voting Rights

Information on voting rights on the shareholders' list as of June 30, 2016 is stated in this sub-section since Kubota Corporation could not identify the number of voting rights as of September 30, 2016 due to the lack of information.

1) Issued Shares

(As of June 30, 2016)

Classification		Number of shares (shares)	Number of voting rights	Description
Shares without voting rights		—	—	—
Shares with restricted voting rights (treasury stock, etc.)		—	—	—
Shares with restricted voting rights (others)		—	—	—
Shares with full voting rights (treasury stock, etc.)	(Treasury stock) Common shares:	1,311,500	—	—

	(Crossholding stock) Common shares:	829,700		
Shares with full voting rights (others)	Common shares:	1,242,511,500	12,425,115	—
Shares less than one unit	Common shares:	266,480	—	Shares less than one unit (100 shares)
Number of issued shares		1,244,919,180	—	—
Total number of voting rights		—	12,425,115	—

(Notes)

The "Shares with full voting rights (others)" column includes 1,000 shares (10 voting rights) registered in the name of Japan Securities Depository Center, Incorporated.

2) Treasury Stock

(As of June 30, 2016)

Name of shareholder	Address	Number of shares held under own name (shares)	Number of shares held under the names of others (shares)	Total shares held (shares)	Ownership percentage to the total number of issued shares (%)
(Treasury stock) Kubota Corporation	2-47, Shikitsuhigashi 1-chome, Naniwa-ku, Osaka, JAPAN	1,311,500	—	1,311,500	0.11
(Crossholding stock) Akita Kubota Corporation	295-38, Terauchikamiyashiki, Akita-shi, Akita, JAPAN	41,400	—	41,400	0.00
Minami Tohoku Kubota Corporation	16-1, Takakura Sugishita, Hiwadamachi, Koriyama-shi, Fukushima, JAPAN	102,000	—	102,000	0.00
Hokuriku Kinki Kubota Corporation	956-1, Shimokashiwanomachi, Hakusan-shi, Ishikawa, JAPAN	9,000	—	9,000	0.00
Chugoku Kubota Corporation	275, Shijikai, Higashi-ku, Okayama, JAPAN	111,300	—	111,300	0.00
Fukuokakyushu Kubota Corporation	11-36, Noma 1-chome, Minami-ku, Fukuoka, JAPAN	566,000	—	566,000	0.04
Total crossholding stock	—	829,700	—	829,700	0.06
Total	—	2,141,200	—	2,141,200	0.17

2. Changes in Directors and Senior Management

Changes in Directors and senior management since the filing date of the Annual Securities Report for the 126th business term until September 30, 2016 are as follows:

Changes in positions and responsibilities of Directors and senior managements

New positions and responsibilities		Former positions and responsibilities		Name	Date of changes
Director and Senior Managing Executive Officer of Kubota Corporation	General Manager of Planning & Control Headquarters, General Manager of Global IT Management Dept.	Director and Senior Managing Executive Officer of Kubota Corporation	General Manager of Planning & Control Headquarters	Shigeru Kimura	April 1, 2016

(Reference Information)

Kubota Corporation adopted the Executive Officer System. Changes in the Executive Officers who do not hold the post of Director since the filing date of the Annual Securities Report for the 126th business term until September 30, 2016 are as follows:

Changes in positions and responsibilities of Directors and senior managements

New positions and responsibilities		Former positions and responsibilities		Name	Date of changes
Executive Officer of Kubota Corporation	General Manager of Quality Assurance Headquarters, General Manager of Farm & Industrial Machinery Services Headquarters	Executive Officer of Kubota Corporation	General Manager of Quality Assurance Headquarters	Yasuo Nakata	May 1, 2016
Managing Executive Officer of Kubota Corporation	Deputy General Manager of CSR Planning & Coordination Headquarters, General Manager of Legal Dept.	Managing Executive Officer of Kubota Corporation	Deputy General Manager of CSR Planning & Coordination Headquarters	Kunio Suwa	June 1, 2016
Executive Officer of Kubota Corporation	General Manager of Agricultural Implement Business Unit, President of Kverneland AS	Executive Officer of Kubota Corporation	President of Kverneland AS	Dai Watanabe	September 1, 2016

4. Financial Information

1. Consolidated Financial Statements

Kubota Corporation and its Subsidiaries

(1) Consolidated Balance Sheets

(¥ in millions)

	September 30, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	¥ 123,494	¥ 146,286
Notes and accounts receivable:		
Trade notes	54,055	78,928
Trade accounts	508,326	551,905
Less: Allowance for doubtful notes and accounts receivable	(2,810)	(3,216)
Short-term finance receivables—net	212,216	224,058
Inventories	337,082	356,441
Other current assets	154,039	136,444
Total current assets	1,386,402	1,490,846
Investments and long-term finance receivables:		
Investments in and loan receivables from affiliated companies	27,720	26,416
Other investments	122,418	139,636
Long-term finance receivables—net	433,063	482,482
Total investments and long-term finance receivables	583,201	648,534
Property, plant, and equipment:		
Land	81,000	81,915
Buildings	275,636	268,965
Machinery and equipment	470,538	465,425
Construction in progress	15,331	11,252
Total	842,505	827,557
Less: Accumulated depreciation	(553,488)	(541,687)
Net property, plant, and equipment	289,017	285,870
Other assets:		
Goodwill and intangible assets—net	42,152	29,430
Long-term trade accounts receivable	42,403	36,758
Other	38,694	42,287
Less: Allowance for doubtful non-current receivables	(742)	(799)
Total other assets	122,507	107,676
Total assets	¥ 2,381,127	¥ 2,532,926

(¥ in millions)

	September 30, 2016	December 31, 2015
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term borrowings	¥ 146,356	¥ 186,216
Trade notes payable	119,391	157,165
Trade accounts payable	94,577	103,169
Advances received from customers	6,735	7,475
Notes and accounts payable for capital expenditures	16,284	15,470
Accrued payroll costs	42,561	33,099
Accrued expenses	59,464	61,494
Income taxes payable	14,629	5,544
Other current liabilities	73,518	80,152
Current portion of long-term debt	159,228	158,117
Total current liabilities	732,743	807,901
Long-term liabilities:		
Long-term debt	427,843	424,370
Accrued retirement and pension costs	10,810	12,148
Other long-term liabilities	63,833	69,949
Total long-term liabilities	502,486	506,467
Commitments and contingencies		
Equity:		
Kubota Corporation shareholders' equity:		
Common stock,		
authorized 1,874,700,000 shares and issued 1,244,919,180 shares at September 30, 2016 and December 31, 2015	84,070	84,070
Capital surplus	84,950	87,838
Legal reserve	19,539	19,539
Retained earnings	927,998	869,769
Accumulated other comprehensive income (loss)	(32,715)	79,292
Treasury stock (3,048,183 shares and 415,635 shares at September 30, 2016 and December 31, 2015, respectively), at cost	(4,209)	(198)
Total Kubota Corporation shareholders' equity	1,079,633	1,140,310
Non-controlling interests	66,265	78,248
Total equity	1,145,898	1,218,558
Total liabilities and equity	¥ 2,381,127	¥ 2,532,926

See notes to consolidated financial statements.

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income (Loss)

For the nine months ended September 30, 2016

Consolidated Statement of Income

(¥ in millions, except per share amounts)

		2016
Revenues	¥	1,181,376
Cost of revenues		828,561
Selling, general, and administrative expenses		203,892
Other operating expenses —net		966
Operating income		147,957
Other income (expenses):		
Interest and dividend income		4,246
Interest expense		(340)
Gain on sales of securities—net		2,096
Foreign exchange loss—net		(7,916)
Other—net		(3,877)
Other income (expenses)—net		(5,791)
Income before income taxes and equity in net income of affiliated companies		142,166
Income taxes:		
Current		42,659
Deferred		311
Total income taxes		42,970
Equity in net income of affiliated companies		1,571
Net income		100,767
Less: Net income attributable to non-controlling interests		7,699
Net income attributable to Kubota Corporation	¥	93,068
Net income attributable to Kubota Corporation per common share:		
Basic	¥	74.83

Consolidated Statement of Comprehensive Income (Loss)

(¥ in millions)

		2016
Net income	¥	100,767
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments		(106,493)
Unrealized losses on securities		(11,403)
Pension liability adjustments		24
Total other comprehensive loss		(117,872)
Comprehensive loss		(17,105)
Less: Comprehensive income attributable to non-controlling interests		1,371
Comprehensive loss attributable to Kubota Corporation	¥	(18,476)

See notes to consolidated financial statements.

For the three months ended September 30, 2016

Consolidated Statement of Income

(¥ in millions, except per share amounts)

		2016
Revenues	¥	385,240
Cost of revenues		274,010
Selling, general, and administrative expenses		68,596
Other operating expenses—net		257
Operating income		42,377
Other income (expenses):		
Interest and dividend income		1,030
Interest expense		(70)
Gain on sales of securities—net		1,165
Foreign exchange gain—net		1,635
Other—net		(1,085)
Other income (expenses)—net		2,675
Income before income taxes and equity in net income of affiliated companies		45,052
Income taxes:		
Current		13,484
Deferred		(1,235)
Total income taxes		12,249
Equity in net income of affiliated companies		821
Net income		33,624
Less: Net income attributable to non-controlling interests		2,877
Net income attributable to Kubota Corporation	¥	30,747
Net income attributable to Kubota Corporation per common share:		
Basic	¥	24.74

Consolidated Statement of Comprehensive Income (Loss)

(¥ in millions)

		2016
Net income	¥	33,624
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments		(9,156)
Unrealized gains on securities		5,872
Pension liability adjustments		87
Total other comprehensive loss		(3,197)
Comprehensive income		30,427
Less: Comprehensive income attributable to non-controlling interests		2,487
Comprehensive income attributable to Kubota Corporation	¥	27,940

See notes to consolidated financial statements.

(3) Consolidated Statement of Changes in Equity

(¥ in millions, except per share amounts)

	Kubota Corporation shareholders' equity								
	Shares of common stock outstanding (thousands of shares)	Common stock	Capital surplus	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock, at cost	Non-controlling interests	Total equity
Balance at December 31, 2015	1,244,504	¥ 84,070	¥ 87,838	¥ 19,539	¥ 869,769	¥ 79,292	¥ (198)	¥ 78,248	¥ 1,218,558
Net income					93,068			7,699	100,767
Other comprehensive loss						(111,544)		(6,328)	(117,872)
Cash dividends paid to Kubota Corporation shareholders (¥28.00 per common share)					(34,839)				(34,839)
Cash dividends paid to non-controlling interests								(2,245)	(2,245)
Purchases and sales of treasury stock	(2,633)						(4,011)		(4,011)
Changes in ownership interests in subsidiaries			(2,888)			(463)		(11,109)	(14,460)
Balance at September 30, 2016	1,241,871	¥ 84,070	¥ 84,950	¥ 19,539	¥ 927,998	¥ (32,715)	¥(4,209)	¥ 66,265	¥ 1,145,898

See notes to consolidated financial statements.

(4) Consolidated Statement of Cash Flows

For the nine months ended September 30, 2016

(¥ in millions)

	2016
Operating activities:	
Net income	¥ 100,767
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	31,209
Gain on sales of securities—net	(2,096)
Equity in net income of affiliated companies	(1,571)
Deferred income taxes	311
Changes in assets and liabilities:	
Decrease in notes and accounts receivable	30,839
Increase in inventories	(13,656)
Increase in other current assets	(7,152)
decrease in trade notes and accounts payable	(36,010)
Increase in income taxes payable	10,139
Increase in other current liabilities	10,328
Decrease in accrued retirement and pension costs	(1,546)
Other	7,219
Net cash provided by operating activities	128,781
Investing activities:	
Purchases of fixed assets	(37,831)
Proceeds from sales and redemption of investments	2,947
Acquisition of business, net of cash acquired	(42,396)
Increase in finance receivables	(265,460)
Collection of finance receivables	217,537
Net increase in time deposits	(18,394)
Other	(4,487)
Net cash used in investing activities	(148,084)
Financing activities:	
Proceeds from issuance of long-term debt	193,555
Repayments of long-term debt	(112,811)
Net decrease in short-term borrowings	(11,498)
Payments of cash dividends	(34,839)
Purchases of treasury stock	(4,011)
Purchases of non-controlling interests	(14,847)
Other	(2,245)
Net cash provided by financing activities	13,304
Effect of exchange rate changes on cash and cash equivalents	(16,793)
Net decrease in cash and cash equivalents	(22,792)
Cash and cash equivalents, beginning of period	146,286
Cash and cash equivalents, end of period	¥ 123,494

See notes to consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Kubota Corporation (the "Parent Company") and its subsidiaries (collectively, the "Company") is one of Japan's leading manufacturers of a comprehensive range of machinery and other industrial and consumer products, including farm equipment, agricultural-related products, engines, construction machinery, electronic equipped machinery, pipe-related products, environment-related products, and social infrastructure-related products.

The Company manufactures its products not only in Japan but also in overseas countries, such as in the U.S., Germany, China, Thailand, and other countries, and sells its products in Japan, North America, Europe, Asia, and other countries.

Basis of Financial Statements

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Change in Fiscal Year-end

The Company changed its fiscal year-end from March 31 to December 31 from the last consolidated fiscal year by the resolution of a partial amendment to the Articles of Incorporation at the Ordinary General Meeting of Shareholders held on June 19, 2015. Accordingly, as the consolidated financial statements for the third quarter of the 126th business term were not prepared, the financial results for the nine months ended December 31, 2015 and for the three months ended December 31, 2015 are not presented in this report.

Changes in Accounting Policies

The Company adopted a new accounting standard related to debt issuance costs on January 1, 2016. The standard requires that debt issuance costs related to a recognized debt liability be presented on the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. To reflect the impact of the adoption, the Company has retrospectively adjusted the consolidated financial statements for all periods presented. The adoption of this standard did not have a material impact on the consolidated financial statements.

Adoption of Specific Accounting Procedures for Quarterly Consolidated Financial Statements

The provision for income taxes is computed by multiplying quarterly income before income taxes and equity in net income of affiliated companies by the estimated annual effective tax rate.

2. INVENTORIES

Inventories are comprised of the following:

(¥ in millions)

	September 30, 2016	December 31, 2015
Finished products	¥ 211,888	¥ 219,860
Spare parts	40,416	42,148
Work in process	43,678	52,482
Raw materials and supplies	41,100	41,951
	¥ 337,082	¥ 356,441

3. OTHER INVESTMENTS

The following table presents the costs, fair value of, and gross unrealized holding gains and losses on the Company's available-for-sale securities by type:

(¥ in millions)

	September 30, 2016				December 31, 2015			
	Cost	Fair value	Gross unrealized holding gains	Gross unrealized holding losses	Cost	Fair value	Gross unrealized holding gains	Gross unrealized holding losses
Other investments:								
Available-for-sale securities:								
Equity securities of financial institutions	¥ 21,402	¥ 39,461	¥ 18,075	¥ 16	¥ 21,408	¥ 55,170	¥ 33,762	¥ —
Other equity securities	15,442	79,274	63,832	—	16,242	80,813	64,572	1
	¥ 36,844	¥ 118,735	¥ 81,907	¥ 16	¥ 37,650	¥ 135,983	¥ 98,334	¥ 1

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 equity securities have been in a continuous unrealized loss position:

(¥ in millions)

	September 30, 2016				December 31, 2015			
	Less than 12 months		12 months or longer		Less than 12 months		12 months or longer	
	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses
Other investments:								
Available-for-sale securities:								
Equity securities of financial institutions	¥ 145	¥ 16	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Other equity securities	—	—	—	—	81	1	—	—
	¥ 145	¥ 16	¥ —	¥ —	¥ 81	¥ 1	¥ —	¥ —

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

(¥ in millions)

	Nine months ended September 30, 2016
Proceeds from sales of available-for-sale securities	¥ 2,904
Gross realized gains	2,096
Gross realized losses	—

(¥ in millions)

	Three months ended September 30, 2016
Proceeds from sales of available-for-sale securities	¥ 1,399
Gross realized gains	1,165
Gross realized losses	—

Investments in nonmarketable equity securities of ¥3,683 million and ¥3,653 million were recorded in other investments on the consolidated balance sheets at September 30, 2016 and December 31, 2015, respectively. Investments in nonmarketable equity securities for which there is no readily determinable fair value and that do not qualify for the practical expedient to estimate fair value are accounted for using the cost method. Impairment was not recognized on such investments in nonmarketable equity securities because the Company did not identify any events or changes in circumstances that may have had a significant adverse effect on the fair value of those investments.

4. 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 and construction machinery products leased to individual and corporate end-users. These receivables are recorded in the aggregate of lease payments receivable plus the estimated residual value of the leased property, less unearned income and allowance for credit losses. There was no unguaranteed residual value related to finance leases at September 30, 2016.

(3) Long-term trade accounts receivable

Long-term trade accounts receivable are generated mainly from direct sales to individual end-users in the farm equipment market in 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 include 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.

The Company analyzes sales financing receivables by four regions: North America, Japan, Asia outside Japan, and other areas. Credit risks of 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 experiences, and economic trends. Subsequent to origination, the credit quality indicator of these receivables is updated based on the information available at balance sheet dates and the Company reviews it on a quarterly basis. The Company's credit quality ratings for these receivables are defined as follows:

Rank A – These receivables are collected 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 individually indicate that it is 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 a customer's long-term nonperformance, a bankruptcy filing, or deterioration in a customer's results of operations or financial position. In such cases, it is probable that losses will be incurred arising from a customer's inability to repay.

The following table presents the recorded investments in sales financing receivables by types of receivables, region, and credit quality indicator:

(¥ in millions)

	Retail finance receivables		Finance lease receivables		Long-term trade accounts receivable
Credit risk profile by internally assigned rank:	North America	Other areas	Japan	Asia outside Japan	Japan
At September 30, 2016:					
Rank A	¥ 457,108	¥ 17,038	¥ 9,418	¥ 135,970	¥ 77,841
Rank B	24,827	—	206	20,172	2,051
Rank C	113	28	—	—	57
Total	¥ 482,048	¥ 17,066	¥ 9,624	¥ 156,142	¥ 79,949
At December 31, 2015:					
Rank A	¥ 492,952	¥ 16,736	¥ 8,157	¥ 155,946	¥ 67,690
Rank B	25,345	—	80	26,841	1,120
Rank C	94	26	—	—	49
Total	¥ 518,391	¥ 16,762	¥ 8,237	¥ 182,787	¥ 68,859

(Aging)

All sales financing receivables are considered past due when a scheduled payment, including principal and interest, has not been received by the contractual due date. If any installment payments have not been received by the contractual due date, the entire remaining balance is classified as being past due.

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

(¥ in millions)

Type of receivables	Region	Up to 30 days past due	31-60 days past due	61-90 days past due	Greater than 90 days past due	Total past due	Current	Total
At September 30, 2016:								
Retail finance receivables	North America	¥ 21,999	¥ 1,596	¥ 557	¥ 787	¥ 24,939	¥ 457,109	¥ 482,048
Retail finance receivables	Other areas	—	—	28	—	28	17,038	17,066
Finance lease receivables	Japan	57	9	8	199	193	9,431	9,624
Finance lease receivables	Asia outside Japan	1,812	2,381	1,668	14,186	20,047	136,095	156,142
Long-term trade accounts receivable	Japan	566	179	75	993	1,813	78,136	79,949
Total		¥ 24,434	¥ 4,165	¥ 2,336	¥ 16,085	¥ 47,020	¥ 697,809	¥ 744,829
At December 31, 2015:								
Retail finance receivables	North America	¥ 22,857	¥ 1,421	¥ 446	¥ 715	¥ 25,439	¥ 492,952	¥ 518,391
Retail finance receivables	Other areas	—	26	—	—	26	16,736	16,762
Finance lease receivables	Japan	2	1	9	54	66	8,171	8,237
Finance lease receivables	Asia outside Japan	7,561	3,356	2,074	13,701	26,692	156,095	182,787
Long-term trade accounts receivable	Japan	37	11	111	767	926	67,933	68,859
Total		¥ 30,457	¥ 4,815	¥ 2,640	¥ 15,237	¥ 53,149	¥ 741,887	¥ 795,036

(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 the 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 contractual due date. Nonaccrual retail finance receivables at September 30, 2016 and December 31, 2015, amounted to ¥787 million and ¥715 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 are not placed on nonaccrual status, but these receivables are charged off against the allowance for doubtful accounts and credit losses when payments 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 nine months ended September 30, 2016 and the nine months ended December 31, 2015.

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 were ¥7,442 million and ¥7,607 million at September 30, 2016 and December 31, 2015, respectively, and such amounts are recorded in other current assets and investments in and loan receivables from affiliated companies on the consolidated balance sheets. These loans are financings provided to the affiliated companies which sell farm equipment products in Japan, and historically 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 repay their debt. Since no negative factors in the borrowers' financial condition or collection status of receivables have been identified for the nine months ended September 30, 2016 and the nine months ended December 31, 2015, 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.

Other Receivables

The amounts of other receivables and related allowance were not material for the nine months ended September 30, 2016 and the nine months ended December 31, 2015, respectively.

5. 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 types 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 customers' 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 ¥518 million and ¥389 million at September 30, 2016 and December 31, 2015, respectively. Recoveries on receivables previously charged off as uncollectable are credited to the allowance for doubtful accounts and credit losses.

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:

(¥ in millions)

Allowance for doubtful accounts and credit losses for the nine months ended September 30, 2016:	Retail finance receivables	Finance lease receivables	Long-term trade accounts receivable	Total
Balance at beginning of period	¥ 692	¥ 18,945	¥ 340	¥ 19,977
Provision	990	3,524	19	4,533
Charge-offs	(858)	(1,035)	—	(1,893)
Recoveries	22	—	—	22
Other	(95)	(2,584)	—	(2,679)
Balance at end of period	¥ 751	¥ 18,850	¥ 359	¥ 19,960
Individually evaluated for impairment	140	—	57	197
Collectively evaluated for impairment	611	18,850	302	19,763
Recorded Investment at September 30, 2016:				
Balance at end of period	¥ 499,114	¥ 165,766	¥ 79,949	¥ 744,829
Individually evaluated for impairment	141	—	57	198
Collectively evaluated for impairment	498,973	165,766	79,892	744,631
Allowance for doubtful accounts and credit losses for the three months ended September 30, 2016:				
Balance at beginning of period	¥ 647	¥ 18,310	¥ 359	¥ 19,316
Provision	383	1,046	—	1,429
Charge-offs	(299)	(382)	—	(681)
Recoveries	13	—	—	13
Other	7	(124)	—	(117)
Balance at end of period	¥ 751	¥ 18,850	¥ 359	¥ 19,960

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 was no related allowance for loan receivables from affiliated companies for the nine months ended September 30, 2016.

6. BUSINESS COMBINATION

In July 2016, the Company acquired 100% of the outstanding shares of Great Plains Manufacturing, Inc. (“GP”), a farm implement manufacturer in the U.S., via Kubota U.S.A., Inc., the Company’s U.S. subsidiary. The consideration, all in cash, paid for the acquired shares of GP was ¥44,290 million.

GP has well-established brands in the North America 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 in the North America.

Acquisition-related costs of ¥429 million were included in selling, general, and administrative expenses on the consolidated statement of income for the nine months ended September 30, 2016.

The following table presents the amounts recognized as of the acquisition date for each major class of assets acquired and liabilities assumed:

(¥ in millions)		
Current assets	¥	25,077
Property, plant, and equipment		11,407
Goodwill		1,736
Intangible assets		15,450
Other assets		8,185
Total assets acquired	¥	61,855
Current liabilities		7,915
Long-term liabilities		9,650
Total liabilities assumed	¥	17,565
Total net assets acquired	¥	44,290

Trade accounts receivable of ¥10,708 million and finance receivables of ¥2,900 million recorded at fair value was included in current assets and other assets in the table above, and the gross contractual amount is ¥10,818 million and ¥2,925 million, respecively.

All intangible assets acquired were subject to amortization and consisted of trademarks of ¥6,798 million, customer relationships of ¥4,326 million, and technological know-how of ¥4,326 million, and with weighted-average amortization periods of 20 years, 17 years, and ten years, respectively. The aggregated amount of goodwill is all assigned to the Farm & Industrial Machinery segment and is deductible for tax purposes.

Revenues or net income from GP and its subsidiaries which were included in the consolidated statement of income for the nine months ended September 30, 2016 were not material.

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

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

The following table summarizes the carrying value and fair value of financial instruments:

(¥ in millions)

	Carrying value	Fair value Level 1	Fair value Level 2	Fair value Level 3	Fair value Total
At September 30, 2016:					
Financial assets:					
Finance receivables—net	¥ 498,363	¥ —	¥ 496,441	¥ —	¥ 496,441
Long-term trade accounts receivable	79,590	—	84,807	—	84,807
Financial liabilities:					
Long-term debt	(584,341)	—	(580,981)	—	(580,981)
At December 31, 2015:					
Financial assets:					
Finance receivables—net	¥ 534,461	¥ —	¥ 528,410	¥ —	¥ 528,410
Long-term trade accounts receivable	68,519	—	73,419	—	73,419
Financial liabilities:					
Long-term debt	(579,783)	—	(565,606)	—	(565,606)

The fair value of finance receivables, long-term trade accounts receivable, and long-term debt is recorded at the amounts 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.

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 approximates 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 8. FAIR VALUE MEASUREMENTS.

8. 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)

	Level 1	Level 2	Level 3	Total
At September 30, 2016:				
Assets:				
Available-for-sale securities:				
Equity securities of financial institutions	¥ 39,461	¥ —	¥ —	¥ 39,461
Other equity securities	79,274	—	—	79,274
Derivatives:				
Foreign exchange contracts	—	1,421	—	1,421
Cross-currency interest rate swap contracts	—	4,763	—	4,763
Total assets	¥ 118,735	¥ 6,184	¥ —	¥ 124,919
Liabilities:				
Derivatives:				
Foreign exchange contracts	¥ —	¥ 746	¥ —	¥ 746
Interest rate swap contracts	—	69	—	69
Cross-currency interest rate swap contracts	—	699	—	699
Total liabilities	¥ —	¥ 1,514	¥ —	¥ 1,514
At December 31, 2015:				
Assets:				
Available-for-sale securities:				
Equity securities of financial institutions	¥ 55,170	¥ —	¥ —	¥ 55,170
Other equity securities	80,813	—	—	80,813
Derivatives:				
Foreign exchange contracts	—	621	—	621
Cross-currency swap contracts	—	1,327	—	1,327
Cross-currency interest rate swap contracts	—	8,705	—	8,705
Total assets	¥ 135,983	¥ 10,653	¥ —	¥ 146,636
Liabilities:				
Derivatives:				
Foreign exchange contracts	¥ —	¥ 171	¥ —	¥ 171
Interest rate swap contracts	—	42	—	42
Total liabilities	¥ —	¥ 213	¥ —	¥ 213

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 3. OTHER INVESTMENTS and Note 9. DERIVATIVE FINANCIAL INSTRUMENTS, respectively.

Assets and liabilities that are measured at fair value on a nonrecurring basis

The assets and liabilities that were measured at fair value on a nonrecurring basis were not material for the nine months ended September 30, 2016 and for the nine months ended December 31, 2015, respectively.

9. 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 and liabilities 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. In order to hedge these risks, the Company uses interest rate swap contracts and cross-currency interest rate swap contracts to manage the risks of its fixed and variable interest 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 qualified as cash flow hedges are reported in accumulated other comprehensive income (loss). 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 swap contracts, the amounts are reclassified into earnings when the related interest expense is recognized. In the case of cross-currency interest rate swap contracts, the amounts are reclassified into earnings through interest expense and foreign exchange gain (loss) when the related earnings are recognized. There were no unrecognized net gains or losses (net of tax) on derivatives included in accumulated other comprehensive income (loss) at September 30, 2016 that 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.

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 and Income Effect of Derivative Instruments

The following table presents fair values of derivative instruments:

(¥ in millions)

	Other current assets		Other assets — Other		Other current liabilities		Other long-term liabilities	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Derivatives designated as hedging instruments:								
Total derivatives designated as hedging instruments	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Derivatives not designated as hedging instruments:								
Foreign exchange contracts	¥ 1,421	¥ 621	¥ —	¥ —	¥ 746	¥ 171	¥ —	¥ —
Cross-currency swap contracts	—	1,327	—	—	—	—	—	—
Interest rate swap contracts	—	—	—	—	59	42	10	—
Cross-currency interest rate swap contracts	3,286	4,706	1,477	3,999	166	—	533	—
Total derivatives not designated as hedging instruments	¥ 4,707	¥6,654	¥ 1,477	¥ 3,999	¥ 971	¥ 213	¥ 543	¥ —
Total	¥ 4,707	¥6,654	¥ 1,477	¥ 3,999	¥ 971	¥ 213	¥ 543	¥ —

The following table presents income effects of derivative instruments:

(¥ in millions)

	Gain (loss) recognized in other comprehensive income (loss) and realized in net income, before tax		
Derivative instruments in cash flow hedges	Effective portion recognized in other comprehensive income (loss)	Consolidated statement of income line item	Effective portion reclassified from accumulated other comprehensive income (loss) to net income
Nine months ended September 30, 2016:			
Total	¥ —		¥ —

(¥ in millions)

Derivative instruments not designated as hedging instruments	Consolidated statement of income line item	Gain (loss) recognized in net income, before tax
Nine months ended September 30, 2016:		
Foreign exchange contracts	Foreign exchange loss—net	¥ 8,714
Cross-currency swap contracts	Foreign exchange loss—net	(262)
Interest rate swap contracts	Other—net	(70)
Cross-currency interest rate swap contracts	Other—net	(3,823)
Total		¥ 4,559

(¥ in millions)

Derivative instruments in cash flow hedges	Gain (loss) recognized in other comprehensive income (loss) and realized in net income, before tax Effective portion recognized in other comprehensive income (loss)	Consolidated statement of income line item	Effective portion reclassified from accumulated other comprehensive income (loss) to net income
Three months ended September 30, 2016:			
Total	¥ —		¥ —

(¥ in millions)

Derivative instruments not designated as hedging instruments	Consolidated statement of income line item	Gain (loss) recognized in net income, before tax
Three months ended September 30, 2016:		
Foreign exchange contracts	Foreign exchange gain—net	¥ 991
Cross-currency swap contracts	Foreign exchange gain—net	(50)
Interest rate swap contracts	Other—net	50
Cross-currency interest rate swap contracts	Other—net	20
Total		¥ 1,011

10. PLEDGED ASSETS

Pledged assets are comprised of the following:

(¥ in millions)

	September 30, 2016	**December 31, 2015**
Trade accounts	131	349
Short-term finance receivables [*1]	53,993	46,869
Other current assets [*2]	7,684	4,814
Long-term finance receivables [*1]	102,412	84,644
Property, plant, and equipment	1,596	2,047
Total	¥ 165,816	¥ 138,723

[*1] Short- and long-term finance receivables are pledged in accordance with the terms of securitization transactions.

[*2] Other current assets represent the restricted cash which is pledged in accordance with the terms of borrowings.

The above assets were pledged against the following liabilities:

(¥ in millions)

	September 30, 2016	**December 31, 2015**
Short-term borrowings	¥ 411	¥ 611
Current portion of long-term debt	45,848	40,483
Long-term debt	91,248	74,554
Total	¥ 137,507	¥ 115,648

11. RETIREMENT AND PENSION PLANS

The following table presents the components of the total net periodic benefit cost:

(¥ in millions)	Nine months ended September 30, 2016
Service cost	¥ 6,586
Interest cost	1,941
Expected return on plan assets	(3,675)
Amortization of prior service benefit	(257)
Amortization of actuarial loss	569
Total	¥ 5,164

(¥ in millions)	Three months ended September 30, 2016
Service cost	¥ 2,197
Interest cost	646
Expected return on plan assets	(1,225)
Amortization of prior service benefit	(85)
Amortization of actuarial loss	189
Total	¥ 1,722

12. SUPPLEMENTAL EXPENSE INFORMATION

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

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)	Nine months ended September 30, 2016
Research and development expenses	¥ 30,979
Advertising costs	10,904
Shipping and handling costs	48,170
Depreciation and amortization	31,209

(¥ in millions)	Three months ended September 30, 2016
Research and development expenses	¥ 10,464
Advertising costs	3,132
Shipping and handling costs	15,553
Depreciation and amortization	11,309

Other Operating Expenses

Other operating expenses—net for the nine months ended September 30, 2016 included a loss from sales and disposals of fixed assets of ¥459 million and expenses related to liquidation of subsidiaries of ¥507 million.

Other operating expenses—net for the three months ended September 30, 2016 included a loss from sales and disposals of fixed assets of ¥254 million.

13. NET INCOME ATTRIBUTABLE TO KUBOTA CORPORATION PER COMMON SHARE

The following table presents the numerator and the denominator to calculate net income attributable to Kubota Corporation per common share—basic:

	Nine months ended September 30, 2016
Net income attributable to Kubota Corporation (¥ in millions)	¥ 93,068
Weighted average number of shares (in thousands)	1,243,673

	Three months ended September 30, 2016
Net income attributable to Kubota Corporation (¥ in millions)	¥ 30,747
Weighted average number of shares (in thousands)	1,242,637

There are no potentially dilutive shares outstanding for the nine months ended September 30, 2016.

14. OTHER COMPREHENSIVE INCOME (LOSS)

The following table presents the components of other comprehensive income (loss) attributable to Kubota Corporation and non-controlling interests—net of tax:

(¥ in millions)

	Nine months ended September 30, 2016		
	Kubota Corporation	Non-controlling interests	Total
Foreign currency translation adjustments	¥ (100,183)	¥ (6,310)	¥(106,493)
Unrealized losses on securities	(11,383)	(20)	(11,403)
Pension liability adjustments	22	2	24
Other comprehensive loss	¥ (111,544)	¥ (6,328)	¥(117,872)

(¥ in millions)

	Three months ended September 30, 2016		
	Kubota Corporation	Non-controlling interests	Total
Foreign currency translation adjustments	¥ (8,783)	¥ (373)	¥ (9,156)
Unrealized gains on securities	5,889	(17)	5,872
Pension liability adjustments	87	—	87
Other comprehensive loss	¥ (2,807)	¥ (390)	¥ (3,197)

The following table presents the changes in the accumulated balances for each component of accumulated other comprehensive income (loss) attributable to the Company:

	Foreign currency translation adjustments	Unrealized gains on securities	Pension liability adjustments	Total
Balance at beginning of period	¥ 50,112	¥ 46,955	¥ (17,775)	¥ 79,292
Changes in ownership Interests in subsidiaries	(557)	—	94	(463)
Other comprehensive income (loss) before reclassification	(100,183)	(9,932)	(193)	(110,308)
Reclassification to net income	—	(1,451)	215	(1,236)
Net change	(100,740)	(11,383)	116	(112,007)
Balance at end of period	¥ (50,628)	¥ 35,572	¥ (17,659)	¥ (32,715)

The following table presents the effect of the reclassifications out of accumulated other comprehensive income (loss) on the consolidated statements of income:

(¥ in millions)

	Amount reclassified from accumulated other comprehensive income (loss) *1	Affected line item in the statement where net income is presented
Nine months ended September 30, 2016:		
Unrealized losses on securities	¥ (2,096)	Gain on sales of securities—net
	5	Other—net
	640	Income taxes
	(1,451)	Net income attributable to Kubota Corporation
Pension liability adjustments	312 *2	
	(95)	Income taxes
	217	Net income
	(2)	Net income attributable to non-controlling interests
	215	Net income attributable to Kubota Corporation
Total	¥ (1,236)	

(¥ in millions)

	Amount reclassified from accumulated other comprehensive income (loss) *1	Affected line item in the statement where net income is presented
Three months ended September 30, 2016:		
Unrealized gains on securities	¥ (1,165)	Gain on sales of securities—net
	5	Other—net
	355	Income taxes
	(805)	Net income attributable to Kubota Corporation
Pension liability adjustments	104 *2	
	(31)	Income taxes
	73	Net income attributable to Kubota Corporation
Total	¥ (732)	

*1 Indicates decrease (increase) in earnings in the consolidated statement of income.

*2 Included in net periodic benefit costs (See Note 11. RETIREMENT AND PENSION PLANS.)

15. DIVIDENDS

Dividends Paid

Resolution	Class of shares	Appropriation from	Cash dividends (¥ in millions)	Cash dividends per share	Record date	Effective date
The Meeting of the Board of Directors on February 16, 2016	Common stock	Retained earnings	¥17,428	¥14.00	December 31, 2015	March 28, 2016
The Meeting of the Board of Directors on August 3, 2016	Common stock	Retained earnings	¥17,411	¥14.00	June 30, 2016	September 1, 2016

Dividends with Record Date falling in the Nine Months Ended September 30, 2016 and with Effective Date coming after September 30, 2016

Not applicable

16. COMMITMENTS AND CONTINGENCIES

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 to five years. The maximum potential amount of undiscounted future payments of these financial guarantees at September 30, 2016 was ¥10,319 million. The fair value of these financial guarantees is not material and the probability of incurrence of a loss is remote.

Legal Proceedings

Since May 2007, the Company has been subject to 27 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 ¥25,613 million consisted mostly of 26 lawsuits, which concerned a total of 665 construction workers who suffered from asbestos-related diseases, and were filed against the Japanese government and 45 asbestos-related companies including the Company. The Company does not have any cost-sharing arrangements with other potentially responsible parties for these 26 lawsuits. The Company discloses the aggregate claimed amount of the above ¥25,613 million as the maximum within the reasonably possible range of loss because the expected loss will be between zero and the aggregate claimed amount. 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.

Among the 26 major lawsuits, five district courts ruled in favor of the Company, but the plaintiff appealed the court ruling right after the judgment. Since the above cases will be continued until the ultimate outcome is reached, the Company believes that the current developments in the cases do not provide any additional information that would facilitate the Company to expect the ultimate outcome and the timing of termination of these asbestos related lawsuits as a whole.

Matters Related to the Health Hazard of Asbestos

The Company's plant in Amagasaki, Hyogo Prefecture, Japan, used to produce asbestos-related products. The Company established a relief payment program in place of the consolation payment to the residents who lived near the Company's plant and suffered from asbestos-related diseases 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 Law for the Relief of Patients Suffering from Asbestos-Related Diseases ("the New Asbestos Law") was established by the Japanese government, and 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.

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.

The Company has accrued balances for the asbestos-related expenses of ¥227 million and ¥311 million at September 30, 2016 and December 31, 2015, respectively. The accrual includes possible 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.

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 residents who lived near the Company's plant and current and former employees will apply for payments in the future. Accordingly, such payments are not included in the accrued amounts as described above.

The Company believes it is not possible to reasonably estimate the possible loss or range of loss relating to this contingency.

17. SEGMENT INFORMATION

The Company engages in various fields of business and industries by providing products and services which are categorized into the following three segments: Farm & Industrial Machinery; Water & Environment; and Other. The Farm & Industrial Machinery segment manufactures and distributes farm equipment, agricultural-related products, engines, construction machinery, and electronic equipped machinery. The Water & Environment segment manufactures and distributes pipe-related products (ductile iron pipes, plastic pipes, pumps, valves, and other products), environment-related products (environmental control plants and other products), and social infrastructure-related products (industrial castings, ceramics, spiral welded steel pipes, and other products). The Other segment offers a variety of services, and manufactures and sells housing materials.

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 operating decision maker 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 segment is summarized as follows:

(¥ in millions)

	Farm & Industrial Machinery	Water & Environment	Other	Adjustments	Consolidated
Nine months ended September 30, 2016					
Revenues:					
External customers	¥ 946,784	¥ 212,905	¥ 21,687	¥ —	¥ 1,181,376
Intersegment	324	1,126	18,954	(20,404)	—
Total	947,108	214,031	40,641	(20,404)	1,181,376
Operating income	¥ 145,476	¥ 16,880	¥ 2,645	¥ (17,044)	¥ 147,957

(¥ in millions)

	Farm & Industrial Machinery	Water & Environment	Other	Adjustments	Consolidated
Three months ended September 30, 2016					
Revenues:					
External customers	¥ 315,414	¥ 63,026	¥ 6,800	¥ —	¥ 385,240
Intersegment	33	425	6,578	(7,036)	—
Total	315,447	63,451	13,378	(7,036)	385,240
Operating income	¥ 44,030	¥ 3,230	¥ 791	¥ (5,674)	¥ 42,377

(Notes)

1. "Adjustments" include the elimination of intersegment transfers and unallocated corporate expenses.
2. The aggregated amounts of operating income are equal to those in the consolidated statement of income. Refer to the consolidated statement of income for the reconciliation of operating income to income before income taxes and equity in net income of affiliated companies.
3. Intersegment transfers are recorded at values that approximate market prices.

Geographic Information

Information about revenues from external customers by destination is summarized as follows:

(¥ in millions)

Revenues from external customers by destination:		Nine months ended September 30, 2016
Japan	¥	413,133
North America		336,952
Europe		146,996
Asia outside Japan		236,768
Other areas		47,527
Total	¥	1,181,376

(¥ in millions)

Revenues from external customers by destination:		Three months ended September 30, 2016
Japan	¥	130,927
North America		115,907
Europe		37,626
Asia outside Japan		83,733
Other areas		17,047
Total	¥	385,240

(Notes)

1. Revenues from North America included those from the United States of ¥298,304 million and ¥103,882 million for the nine months ended September 30, 2016 and the three months ended September 30, 2016, respectively.
2. There was no single customer from whom revenues exceeded 10% of total consolidated revenues of the Company.

18. SUBSEQUENT EVENT

Not applicable

2. Other

On August 3, 2016, the Company's Board of Directors resolved to pay cash dividends as follows:

1) Shareholders to Be Paid Cash Dividends
Shareholders of record on June 30, 2016

2) Amount of Dividends
¥14.00 per common share, a total of ¥17,411 million

3) Effective Date of Claim of Payment and Start Date of Payment
September 1, 2016

COVER

[Document Filed]	Confirmation Letter
[Applicable Law]	Article 24-4-8, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed to]	Director, Kanto Local Finance Bureau
[Filing Date]	November 11, 2016
[Company Name]	Kabushiki Kaisha Kubota
[Company Name in English]	Kubota Corporation
[Title and Name of Representative]	Masatoshi Kimata, President and Representative Director
[Title and Name of CFO]	Shigeru Kimura, Director and Senior Managing Executive Officer General Manager of Planning & Control Headquarters
[Address of Head Office]	2-47, Shikitsuhigashi 1-chome, Naniwa-ku, Osaka, JAPAN
[Place Where Available for Public Inspection]	Kubota Corporation, Hanshin Office (1-1, Hama 1-chome, Amagasaki-shi, Hyogo, JAPAN) Kubota Corporation, Tokyo Head Office (1-3, Kyobashi 2-chome, Chuo-ku, Tokyo, JAPAN) Kubota Corporation, Chubu Regional Office (22-8, Meieki 3-chome, Nakamura-ku, Nagoya, JAPAN) Kubota Corporation, Yokohama Branch (6, Onoe-cho 1-chome, Naka-ku, Yokohama, JAPAN) Tokyo Stock Exchange, Inc (2-1, Nihombashi Kabuto-cho, Chuo-ku, Tokyo, JAPAN)

1. Matters Related to Adequacy of Statements Contained in the Quarterly Report

Masatoshi Kimata, President and Representative Director and Shigeru Kimura, Director and Senior Managing Executive Officer, General Manager of Planning & Control Headquarters confirmed that statements contained in the Quarterly Report for the third quarter of 127th fiscal year (from July 1, 2016 to September 30, 2016) were adequate under the Financial Instruments and Exchange Act of Japan.

2. Special Notes

Not applicable