

[Translation]

Quarterly Report

(The Second Quarter of the 131st Business Term)
From April 1, 2020 to June 30, 2020

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

Kubota Corporation

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Confirmation Letter

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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.

For the purposes of this Quarterly Report, the “Company” refers to Kubota Corporation and its subsidiaries unless context indicates otherwise.

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

(Unit: millions of yen, except earnings per share)

	Six months ended June 30, 2020	Six months ended June 30, 2019	Year ended December 31, 2019
Revenue	¥ 884,170 [444,627]	¥ 970,829 [490,117]	¥ 1,920,042
Profit before income taxes	84,421	114,640	209,022
Profit attributable to owners of the parent	59,570 [38,814]	81,189 [43,907]	149,061
Comprehensive income attributable to owners of the parent	28,401	70,513	167,048
Equity attributable to owners of the parent	1,441,503	1,380,512	1,442,837
Total assets	3,127,889	3,034,314	3,139,318
Earnings per share attributable to owners of the parent:			
Basic	48.87 [31.87]	65.95 [35.70]	121.59
Diluted	—	—	—
Ratio of equity attributable to owners of the parent to total assets (%)	46.1	45.5	46.0
Net cash provided by operating activities	49,521	50,873	82,410
Net cash used in investing activities	(30,417)	(64,598)	(91,470)
Net cash provided by (used in) financing activities	36,193	6,503	(21,515)
Cash and cash equivalents, at the end of the period	250,659	220,759	199,665

(Notes)

1. The condensed consolidated financial statements and the consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”).
2. As the Company prepares the condensed consolidated financial statements, its non-consolidated financial data are not presented.
3. Revenue does not include consumption taxes.
4. Amounts less than presentation units are rounded to the nearest unit.
5. Earnings per share attributable to owners of the parent—Diluted is not stated because Kubota Corporation did not have potentially dilutive common shares that were outstanding during the period.

2. Description of Business

There were no material changes in the Company’s business during the six months ended June 30, 2020, nor were there any material changes in its associates.

2. Business Overview

1. Risk Factors

For the six months ended June 30, 2020, there were no events or facts described in “2. Business Overview” or “4. Financial Information,” that might have material effects on investors’ investment decisions. There were no material changes in the information described in the Risk Factors section of the Annual Securities Report for the year ended December 31, 2019.

The negative impact on results of operations for the six months ended June 30, 2020 caused by the infection spread of COVID-19 is described in “(1) Analysis of Results of Operations” of “2. Analysis of Consolidated Financial Position, Results of Operations, and Cash Flows by Management”.

As of the second quarterly report filing date, the Company expects the infection spread of COVID-19 will settle gradually. However, the negative impact of COVID-19 is expected to continue throughout the year because the pace of a recovery in demand after the resumption of economic activities is expected to be slow and it is expected to take time for a recovery in production, including parts procurement.

2. Analysis of Consolidated Financial Position, Results of Operations, and Cash Flows by Management

(1) Analysis of Results of Operations

For the six months ended June 30, 2020, revenue of the Company decreased by ¥86.7 billion [8.9%] from the same period in the prior year to ¥884.2 billion.

Domestic revenue decreased by ¥19.9 billion [6.4%] from the same period in the prior year to ¥290.2 billion because of decreased revenue in Farm & Industrial Machinery, Water & Environment, and Other.

Overseas revenue decreased by ¥66.8 billion [10.1%] from the same period in the prior year to ¥594.0 billion because of significantly decreased sales of construction machinery, tractors, and engines. On the other hand, revenue in Water & Environment increased.

Operating profit decreased by ¥29.3 billion [26.4%] from the same period in the prior year to ¥81.7 billion because of profitability of products, which were shipped in this fiscal year, in its manufacturing bases deteriorated due to a significant reduction in production in the fourth quarter of 2019. In addition, there were some negative effects from significantly decreased sales in the overseas markets and unfavorable foreign exchange rates. Profit before income taxes decreased by ¥30.2 billion [26.4%] from the same period in the prior year to ¥84.4 billion mainly due to decreased operating profit. Income tax expenses were ¥20.6 billion. Share of profits of investments accounted for using the equity method was ¥1.3 billion. Profit for the period decreased by ¥21.6 billion [24.9%] from the same period in the prior year to ¥65.2 billion. Profit attributable to owners of the parent decreased by ¥21.6 billion [26.6%] from the same period in the prior year to ¥59.6 billion.

Revenue from external customers and operating profit by each reportable segment was as follows:

1) Farm & Industrial Machinery

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

Revenue in this segment decreased by 10.2% from the same period in the prior year to ¥719.0 billion, and accounted for 81.3% of consolidated revenue.

Domestic revenue decreased by 9.1% from the same period in the prior year to ¥144.6 billion. Sales of farm equipment and agricultural-related products decreased mainly due to adverse reaction from rushed demand before the consumption tax hike and a negative effect from voluntary restraint of sales activities along with the infection spread of COVID-19.

Overseas revenue decreased by 10.5% from the same period in the prior year to ¥574.4 billion. In North America, retail sales had been strong mainly due to solid demand since April and a positive effect from introduction of new models. However, wholesales of construction machinery and tractors decreased because of adverse reaction from carryover of shipments of some products from the fiscal 2018 to the fiscal 2019 caused by typhoon, which had occurred

in 2018, and delay in production and shipment caused by suspended operations in its manufacturing bases resulting from the infection spread of COVID-19. In addition, sales of engines also significantly decreased from the same period in the prior year mainly due to a reduction in production of OEM clients resulting from the infection spread of COVID-19 and a deterioration in oil and gas market. In Europe, sales of construction machinery, tractors, and engines significantly decreased mainly due to some negative effects from business suspension by dealers and a reduction in production of OEM clients for engines along with the infection spread of COVID-19. In Asia outside Japan, sales of tractors in Thailand decreased due to a negative impact of water shortage, which had continued since the prior year and inventory adjustments by dealers. On the other hand, sales of engines in China increased due to recovered demand after resumption of economic activities. In addition, sales of farm equipment increased due to a positive effect from introduction of a new model.

Operating profit in this segment decreased by 25.0% from the same period in the prior year to ¥87.1 billion mainly due to significantly decreased revenue in the domestic and overseas markets and a deterioration in profitability of products, which were shipped in this fiscal year, in its manufacturing bases, while there were some positive effects from raised product prices and declined material prices.

2) Water & Environment

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

Revenue in this segment decreased by 2.5% from the same period in the prior year to ¥150.3 billion, and accounted for 17.0% of consolidated revenue.

Domestic revenue decreased by 3.3% from the same period in the prior year to ¥130.9 billion. Revenue in pipe- and infrastructure-related products slightly decreased due to a decrease in sales of plastic pipes, air-conditioning equipment and spiral-welded steel pipes caused by the infection spread of COVID-19. On the other hand, sales of some products, such as ductile iron pipes, increased. In environment-related products, revenue from construction of waste disposal and treatment facility in Futaba Town, Fukushima Prefecture decreased mainly.

Overseas revenue increased by 3.3% from the same period in the prior year to ¥19.4 billion. Sales of industrial castings to Korea and membrane systems to China increased.

Operating profit in this segment decreased by 7.7% from the same period in the prior year to ¥9.9 billion due to decreased revenue in the domestic market and an increase in construction costs of plant.

3) Other

Other is mainly comprised of a variety of services.

Revenue in this segment decreased by 6.4% from the same period in the prior year to ¥14.8 billion, and accounted for 1.7% of consolidated revenue.

Operating profit in this segment decreased by 5.7% from the same period in the prior year to ¥1.5 billion.

(2) Analysis of Financial Position

Total assets at June 30, 2020 were ¥3,127.9 billion, a decrease of ¥11.4 billion from the prior fiscal year-end. With respect to assets, finance receivables increased due to the expansion in sales financing operations in North America, where retail sales were strong. In addition, cash and cash equivalents temporarily increased due to the acceleration of funding in preparation for the growing demand for funds caused by the infection spread of COVID-19. On the other hand, trade receivables and inventories decreased mainly due to delay in production and shipment caused by suspended operations in its manufacturing bases resulting from the infection spread of COVID-19. Furthermore, other financial assets also decreased due to sales of securities.

With respect to liabilities, trade payables significantly decreased while bonds and borrowings increased. Equity slightly decreased due to purchases of treasury shares and a deterioration in other components of equity along with fluctuations in foreign exchange rates and prices of securities despite the accumulation of retained earnings. The ratio of equity attributable to owners of the parent to total assets stood at 46.1%, 0.1 percent higher than the prior fiscal year-end.

(3) Analysis of Cash Flows

Net cash provided by operating activities during the six months ended June 30, 2020 was ¥49.5 billion, a decrease of ¥1.4 billion in net cash inflow compared with the same period in the prior year. The decrease was mainly due to an increase in cash outflow related to an increase in finance receivables and a decrease in profit for the period. On the other hand, cash outflow related to the changes in working capital decreased due to a decrease in trade receivables and inventories.

Net cash used in investing activities was ¥30.4 billion, a decrease of ¥34.2 billion in net cash outflow compared with the same period in the prior year. This decrease was mainly due to an increase in cash inflow related to sales of securities and a decrease in cash outflow related to acquisition of property, plant, and equipment.

Net cash provided by financing activities was ¥36.2 billion, an increase of ¥29.7 billion in net cash inflow compared with the same period in the prior year mainly due to an increase in funding.

As a result of the above, and after taking into account the effects from exchange rate changes, cash and cash equivalents at June 30, 2020 were ¥250.7 billion, an increase of ¥51.0 billion from the beginning of the current period.

(4) Issues to Address on Business and Finance

There were no material changes in the outstanding issues for the Company to address during the six months ended June 30, 2020, and no additional issues arose during the period.

(5) Research and Development

The Company's research and development expenses for the six months ended June 30, 2020 were ¥27.9 billion.

There were no material changes in the Company's research and development activities during the six months ended June 30, 2020.

3. Material Contracts

There were no material contracts which were approved for conclusion or concluded for the three months ended June 30, 2020.

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) (June 30, 2020)	Number of shares issued as of filing date (shares) (August 7, 2020)	Stock exchange on which Kubota Corporation is listed	Description
Common shares	1,220,576,846	1,220,576,846	Tokyo Stock Exchange, Inc. (the first section)	The number of shares per one unit of shares is 100 shares.
Total	1,220,576,846	1,220,576,846	—	—

(2) Information on Share Acquisition Rights

1) Details of Stock Option Plan

Not applicable.

2) Details of Other Stock Acquisition Rights

Not applicable.

(3) Information on Moving Strike Convertible Bonds

Not applicable.

(4) 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 (millions of yen)	Balance of common shares (millions of yen)	Changes in capital reserve (millions of yen)	Balance of capital reserve (millions of yen)
From: April 1, 2020 To: June 30, 2020	—	1,220,576	¥ —	¥ 84,130	¥ —	¥ 73,117

(5) Major Shareholders

Name	Address	Share ownership (thousands of shares)	Ownership percentage to the total number of issued shares (excluding treasury shares) (%) (As of June 30, 2020)
The Master Trust Bank of Japan, Ltd. (Trust account)	11-3, Hamamatsu-cho 2-chome, Minato-ku Tokyo, JAPAN	112,961	9.29
Nippon Life Insurance Company	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo, JAPAN	62,542	5.14
Meiji Yasuda Life Insurance Company	1-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo, JAPAN	59,929	4.92
Japan Trustee Services Bank, Ltd. (Trust account)	8-11, Harumi 1-chome, Chuo-ku, Tokyo, JAPAN	44,781	3.68
Sumitomo Mitsui Banking Corporation	1-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo, JAPAN	36,006	2.96
SMBC Nikko Securities, Inc.	3-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo, JAPAN	35,018	2.88

Mizuho Bank, Ltd.	5-5, Otemachi 1-chome, Chiyoda-ku, Tokyo, JAPAN	31,506	2.59
Moxley & Co. LLC (Standing proxy: Sumitomo Mitsui Banking Corporation)	270 Park Avenue, New York, New York, 10017-2070, U.S.A. (3-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo, JAPAN)	24,878	2.04
Japan Trustee Services Bank, Ltd. (Trust account 7)	8-11, Harumi 1-chome, Chuo-ku, Tokyo, JAPAN	23,553	1.93
Japan Trustee Services Bank, Ltd. (Trust account 5)	8-11, Harumi 1-chome, Chuo-ku, Tokyo, JAPAN	21,873	1.79
Total	—	453,050	37.26

(Notes)

- Numbers less than presentation units are rounded down in the columns of *Share ownership* and *Ownership percentage to the total number of issued shares (excluding treasury shares)*.
- The shares held by The Master Trust Bank of Japan, Ltd. (Trust account), Japan Trustee Services Bank, Ltd. (Trust account), Japan Trustee Services Bank, Ltd. (Trust account 5), and Japan Trustee Services Bank, Ltd. (Trust account 7) are invested as their fiduciary services.
Japan Trustee Services Bank changed its name to Custody Bank of Japan, Ltd. on July 27, 2020.
- Change reports pertaining to large shareholding reports by Massachusetts Financial Services Company dated September 21, 2018 are available for public inspection. However, the information in the reports is not stated in the preceding table since Kubota Corporation has not confirmed the actual status of shareholdings as of June 30, 2020. A summary of the reports as of September 14, 2018 is as follows:

Name	Number of share certificates, etc. held (thousands of shares)	Percentage of share certificates held (%)
Massachusetts Financial Services Company	57,071	4.62
MFS Investment Management K.K.	4,675	0.38
Total	61,746	5.00

- Change reports pertaining to large shareholding reports by Mitsubishi UFJ Financial Group, Inc. dated May 8, 2020 are available for public inspection. However, the information in the reports is not stated in the preceding table since Kubota Corporation has not confirmed the actual status of shareholdings as of June 30, 2020. A summary of the reports as of April 27, 2020 is as follows:

Name	Number of share certificates, etc. held (thousands of shares)	Percentage of share certificates held (%)
MUFG Bank, Ltd.	18,156	1.49
Mitsubishi UFJ Trust and Banking Corporation	69,749	5.71
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	8,949	0.73
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	1,267	0.10
Total	98,122	8.04

- Change reports pertaining to large shareholding reports by Mizuho Bank, Ltd. dated May 22, 2020 are available for public inspection. However, the information in the reports is not stated in the preceding table since Kubota Corporation has not confirmed the actual status of shareholdings as of June 30, 2020, except that of Mizuho Bank, Ltd. A summary of the reports as of May 15, 2020 is as follows:

Name	Number of share certificates, etc. held (thousands of shares)	Percentage of share certificates held (%)
Mizuho Bank, Ltd.	31,506	2.58
Mizuho Securities Co., Ltd.	2,900	0.24
Asset Management One Co., Ltd.	43,783	3.59
Total	78,189	6.41

- Change reports pertaining to large shareholding reports by Sumitomo Mitsui Trust Holdings Inc. dated June 19, 2020 are available for public inspection. However, the information in the reports is not stated in the preceding table since Kubota Corporation has not confirmed the actual status of shareholdings as of June 30, 2020. A summary of the reports as of June 15, 2020 is as follows:

Name	Number of share certificates, etc. held (thousands of shares)	Percentage of share certificates held (%)
Sumitomo Mitsui Trust Bank, Limited	19,572	1.60
Sumitomo Mitsui Trust Asset Management Co., Ltd.	37,840	3.10
Nikko Asset Management Co., Ltd.	26,481	2.17
Total	83,893	6.87

(6) Information on Voting Rights

1) Issued Shares

(As of June 30, 2020)

Classification		Number of shares (shares)	Number of voting rights	Description
Shares without voting rights		—	—	—
Shares with restricted voting rights (treasury shares, etc.)		—	—	—
Shares with restricted voting rights (others)		—	—	—
Shares with full voting rights (treasury shares, etc.)	(Treasury shares) Common shares:	4,805,600	—	—
	(Crossholding shares) Common shares:	718,400		
Shares with full voting rights (others)	Common shares:	1,214,783,000	12,147,830	—
Shares less than one unit	Common shares:	269,846	—	Shares less than one unit (100 shares)
Number of issued shares		1,220,576,846	—	—
Total number of voting rights		—	12,147,830	—

(Note)

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 Shares

(As of June 30, 2020)

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 share) Kubota Corporation	2-47, Shikitsuhigashi 1-chome, Naniwa-ku, Osaka, JAPAN	4,805,600	—	4,805,600	0.39
(Crossholding shares)					
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
Fukuoka Kyushu Kubota Corporation	11-36, Noma 1-chome, Minami-ku, Fukuoka, JAPAN	566,000	—	566,000	0.04
Total crossholding share	—	718,400	—	718,400	0.05
Total	—	5,524,000	—	5,524,000	0.45

2. Changes in Directors and Senior Management

Changes in Directors and senior management since the filing date of the Annual Securities Report for the 130th business term to June 30, 2020 are as follows:

New company and position and responsibility		Former company and position and responsibility		Name	Date of change
Director and Senior Managing Executive Officer of Kubota Corporation	General Manager of Water and Environment Infrastructure Consolidated Division, Deputy General Manager of Innovation Center, General Manager of Tokyo Head Office of Kubota Corporation	Director and Senior Managing Executive Officer of Kubota Corporation	General Manager of Water and Environment Infrastructure Consolidated Division, General Manager of Tokyo Head Office of Kubota Corporation	Toshihiko Kurosawa	April 1, 2020

(Reference Information)

Kubota Corporation adopted the Executive Officer System. Change in the Executive Officers who do not hold the post of Director since the filing date of the Annual Securities Report for the 130th business term to June 30, 2020 is as follows:

New company and position and responsibility		Former company and position and responsibility		Name	Date of change
Executive Officer of Kubota Corporation	General Manager of Farm and Industrial Machinery Strategy and Operations Headquarters, General Manager of ASEAN Farm and Industrial Machinery Strategy and Operations Headquarters of Kubota Corporation	Executive Officer of Kubota Corporation	General Manager of Farm and Industrial Machinery Strategy and Operations Headquarters, General Manager of ASEAN Farm and Industrial Machinery Strategy and Operations Headquarters, Deputy General Manager of Innovation Center of Kubota Corporation	Nobuyuki Ishii	April 1, 2020
Executive Officer of Kubota Corporation	General Manager of Farm and Industrial Machinery Strategy and Operations Headquarters, General Manager of ASEAN Farm and Industrial Machinery Strategy and Operations Headquarters, General Manager of Agricultural Implement Business Unit of Kubota Corporation	Executive Officer of Kubota Corporation	General Manager of Farm and Industrial Machinery Strategy and Operations Headquarters, General Manager of ASEAN Farm and Industrial Machinery Strategy and Operations Headquarters of Kubota Corporation	Nobuyuki Ishii	June 1, 2020

4. Financial Information

1. Condensed Consolidated Financial Statements

Kubota Corporation and Its Subsidiaries

(1) Condensed Consolidated Statement of Financial Position

(Unit: millions of yen)

	Note	June 30, 2020	December 31, 2019
ASSETS			
Current assets:			
Cash and cash equivalents		¥ 250,659	¥ 199,665
Trade receivables		656,793	682,596
Finance receivables		308,291	293,933
Other financial assets	5	87,075	71,968
Inventories		368,737	382,401
Income taxes receivable		4,985	6,287
Other current assets		51,885	82,034
Total current assets		1,728,425	1,718,884
Noncurrent assets:			
Investments accounted for using the equity method		34,573	33,729
Finance receivables		721,561	699,238
Other financial assets	5	116,229	148,936
Property, plant, and equipment		392,976	405,349
Goodwill and intangible assets		64,795	60,986
Deferred tax assets		45,027	46,984
Other noncurrent assets		24,303	25,212
Total noncurrent assets		1,399,464	1,420,434
Total assets		¥ 3,127,889	¥ 3,139,318

(Unit: millions of yen)

	Note	June 30, 2020	December 31, 2019
LIABILITIES AND EQUITY			
Current liabilities:			
Bonds and borrowings		¥ 364,585	¥ 386,538
Trade payables		244,678	293,774
Other financial liabilities	6	72,910	78,860
Income taxes payable		22,162	18,611
Provisions		34,445	31,001
Other current liabilities	7	196,773	192,959
Total current liabilities		935,553	1,001,743
Noncurrent liabilities:			
Bonds and borrowings		592,535	516,443
Other financial liabilities	6	25,149	30,247
Retirement benefit liabilities		15,443	15,773
Deferred tax liabilities		19,039	32,984
Other noncurrent liabilities	7	4,987	4,914
Total noncurrent liabilities		657,153	600,361
Total liabilities		1,592,706	1,602,104
Equity:			
Equity attributable to owners of the parent:			
Share capital		84,130	84,130
Share premium		84,993	84,671
Retained earnings		1,293,047	1,238,824
Other components of equity		(13,178)	35,849
Treasury shares		(7,489)	(637)
Total equity attributable to owners of the parent		1,441,503	1,442,837
Noncontrolling interests		93,680	94,377
Total equity		1,535,183	1,537,214
Total liabilities and equity		¥ 3,127,889	¥ 3,139,318

See notes to condensed consolidated financial statements.

(2) Condensed Consolidated Statement of Profit or Loss and
Condensed Consolidated Statement of Comprehensive Income

Six months ended June 30, 2020 and 2019

Condensed Consolidated Statement of Profit or Loss

(Unit: millions of yen, except earnings per share)

	Note	2020	%	2019	%
Revenue	8	¥ 884,170	100.0	¥ 970,829	100.0
Cost of sales		(634,113)		(689,649)	
Selling, general, and administrative expenses		(166,357)		(166,637)	
Other income		4,356		1,326	
Other expenses		(6,386)		(4,922)	
Operating profit		81,670	9.2	110,947	11.4
Finance income		3,914		4,444	
Finance costs		(1,163)		(751)	
Profit before income taxes		84,421	9.5	114,640	11.8
Income tax expenses		(20,598)		(29,476)	
Share of profits of investments accounted for using the equity method		1,338		1,573	
Profit for the period		¥ 65,161	7.4	¥ 86,737	8.9
Profit attributable to:					
Owners of the parent		¥ 59,570	6.7	¥ 81,189	8.4
Noncontrolling interests		¥ 5,591	0.7	¥ 5,548	0.5
Earnings per share attributable to owners of the parent:					
Basic	9	¥ 48.87		¥ 65.95	
Diluted		¥ —		¥ —	

Condensed Consolidated Statement of Comprehensive Income

(Unit: millions of yen)

	Note	2020	2019
Profit for the period		¥ 65,161	¥ 86,737
Other comprehensive income, net of income tax:			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit pension plans		113	30
Net change in fair value of financial assets measured at fair value through other comprehensive income		(7,887)	5,275
Items that may be reclassified subsequently to profit or loss:			
Exchange rate differences on translating foreign operations		(26,539)	(14,710)
Total other comprehensive income, net of income tax		(34,313)	(9,405)
Comprehensive income for the period		¥ 30,848	¥ 77,332
Comprehensive income attributable to:			
Owners of the parent		¥ 28,401	¥ 70,513
Noncontrolling interests		¥ 2,447	¥ 6,819

See notes to condensed consolidated financial statements.

Three months ended June 30, 2020 and 2019
Condensed Consolidated Statement of Profit or Loss

(Unit: millions of yen, except earnings per share)

	Note	2020	%	2019	%
Revenue		¥ 444,627	100.0	¥ 490,117	100.0
Cost of sales		(312,295)		(347,623)	
Selling, general, and administrative expenses		(78,289)		(81,523)	
Other income		1,173		603	
Other expenses		(4,004)		(3,508)	
Operating profit		51,212	11.5	58,066	11.8
Finance income		2,719		2,805	
Finance costs		(540)		(395)	
Profit before income taxes		53,391	12.0	60,476	12.3
Income tax expenses		(12,509)		(15,176)	
Share of profits of investments accounted for using the equity method		1,051		1,003	
Profit for the period		¥ 41,933	9.4	¥ 46,303	9.4
Profit attributable to:					
Owners of the parent		¥ 38,814	8.7	¥ 43,907	9.0
Noncontrolling interests		¥ 3,119	0.7	¥ 2,396	0.4
Earnings per share attributable to owners of the parent:					
Basic	9	¥ 31.87		¥ 35.70	
Diluted		¥ —		¥ —	

Condensed Consolidated Statement of Comprehensive Income

(Unit: millions of yen)

	Note	2020	2019
Profit for the period		¥ 41,933	¥ 46,303
Other comprehensive income, net of income tax:			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit pension plans		(90)	41
Net change in fair value of financial assets measured at fair value through other comprehensive income		5,521	(1,147)
Items that may be reclassified subsequently to profit or loss:			
Exchange rate differences on translating foreign operations		7,596	(20,033)
Total other comprehensive income, net of income tax		13,027	(21,139)
Comprehensive income for the period		¥ 54,960	¥ 25,164
Comprehensive income attributable to:			
Owners of the parent		¥ 48,743	¥ 23,024
Noncontrolling interests		¥ 6,217	¥ 2,140

See notes to condensed consolidated financial statements.

(3) Condensed Consolidated Statement of Changes in Equity

(Unit: millions of yen)

	Note	Equity attributable to owners of the parent					Total equity attributable to owners of the parent	Noncontrolling interests	Total equity
		Share capital	Share premium	Retained earnings	Other components of equity	Treasury shares			
Balance as of January 1, 2020		¥ 84,130	¥ 84,671	¥ 1,238,824	¥ 35,849	¥ (637)	¥ 1,442,837	¥ 94,377	¥ 1,537,214
Profit for the period				59,570			59,570	5,591	65,161
Total other comprehensive income, net of income tax					(31,169)		(31,169)	(3,144)	(34,313)
Comprehensive income for the period				59,570	(31,169)		28,401	2,447	30,848
Transfer to retained earnings				17,873	(17,873)		—		—
Dividends paid	10			(23,185)			(23,185)	(2,721)	(25,906)
Purchases and sales of treasury shares						(7,000)	(7,000)		(7,000)
Share-based payments with transfer restrictions			(61)	(35)		148	52		52
Changes in ownership interests in subsidiaries			383		15		398	(423)	(25)
Balance as of June 30, 2020		¥ 84,130	¥ 84,993	¥ 1,293,047	¥ (13,178)	¥ (7,489)	¥ 1,441,503	¥ 93,680	¥ 1,535,183
Balance as of January 1, 2019		¥ 84,130	¥ 85,305	¥ 1,135,395	¥ 35,343	¥ (323)	¥ 1,339,850	¥ 86,583	¥ 1,426,433
Profit for the period				81,189			81,189	5,548	86,737
Total other comprehensive income, net of income tax					(10,676)		(10,676)	1,271	(9,405)
Comprehensive income for the period				81,189	(10,676)		70,513	6,819	77,332
Transfer to retained earnings				3,463	(3,463)		—		—
Dividends paid	10			(22,184)			(22,184)	(3,938)	(26,122)
Purchases and sales of treasury shares						(7,063)	(7,063)		(7,063)
Share-based payments with transfer restrictions			(56)	(19)		122	47		47
Changes in ownership interests in subsidiaries			(202)		(449)		(651)	(3,617)	(4,268)
Balance as of June 30, 2019		¥ 84,130	¥ 85,047	¥ 1,197,844	¥ 20,755	¥ (7,264)	¥ 1,380,512	¥ 85,847	¥ 1,466,359

See notes to condensed consolidated financial statements.

(4) Condensed Consolidated Statement of Cash Flows

(Unit: millions of yen)

Six months ended June 30:	Note	2020	2019
Cash flows from operating activities:			
Profit for the period		¥ 65,161	¥ 86,737
Depreciation and amortization		33,099	30,581
(Gain) loss from disposal of property, plant, and equipment and intangible assets, net		(1,988)	877
Finance income and costs		(2,910)	(3,590)
Income tax expenses		20,598	29,476
Share of profits of investments accounted for using the equity method		(1,338)	(1,573)
Decrease (Increase) in trade receivables		10,600	(37,635)
Increase in finance receivables		(63,460)	(34,059)
Decrease (Increase) in inventories		6,300	(29,360)
Decrease (increase) in other assets		37,786	(3,315)
(Decrease) increase in trade payables		(46,317)	17,536
Increase in other liabilities		11,320	12,778
Net changes in retirement benefit assets and liabilities		495	608
Other, net		1,297	(2,273)
Interest received		2,058	2,071
Dividends received		1,430	1,917
Interest paid		(419)	(563)
Income taxes paid, net		(24,191)	(19,340)
Net cash provided by operating activities		49,521	50,873
Cash flows from investing activities:			
Payments for acquisition of property, plant, and equipment		(28,510)	(44,373)
Payments for acquisition of intangible assets		(9,924)	(7,349)
Proceeds from sales of property, plant, and equipment		5,157	752
Payments for acquisition of securities		(822)	(722)
Proceeds from sales and redemptions of securities		26,916	5,321
Payments for loans receivable from associates		(24,450)	(18,950)
Collection of loans receivable from associates		24,700	19,100
Payments for time deposits		(43,762)	(12,794)
Proceeds from withdrawal of time deposits		18,389	4,281
Payments for acquisition of short-term investments		(2,741)	(13,699)
Proceeds from sales and redemptions of short-term investments		5,635	6,053
Other, net		(1,005)	(2,218)
Net cash used in investing activities		(30,417)	(64,598)
Cash flows from financing activities:			
Funding from bonds and long-term borrowings		204,676	172,621
Redemptions of bonds and repayments of long-term borrowings		(93,171)	(98,498)
Net decrease in short-term borrowings		(38,197)	(22,333)
Repayments for lease liabilities		(7,272)	(9,733)
Dividends paid	10	(23,185)	(22,184)
Purchases of treasury shares		(7,000)	(7,063)
Payments for acquisition of noncontrolling interests		(24)	(5,652)
Other, net		366	(655)
Net cash provided by financing activities		36,193	6,503
Effect of exchange rate changes on cash and cash equivalents		(4,303)	(1,142)
Net increase (decrease) in cash and cash equivalents		50,994	(8,364)
Cash and cash equivalents, at the beginning of the period		199,665	229,123
Cash and cash equivalents, at the end of the period		¥ 250,659	¥ 220,759

See notes to condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements

Kubota Corporation and Its Subsidiaries

1. REPORTING ENTITY

Kubota Corporation (the “Parent Company”) is an entity located in Japan. The Parent Company and its subsidiaries (the “Company”) manufacture and sell a comprehensive range of machinery and other industrial and consumer products, including farm equipment, engines, construction machinery, pipe-related products and environment-related products.

The Company manufactures its products not only in Japan, but also in overseas countries, including the United States, France, Germany, China, Thailand, and other countries, and sells its products in Japan, North America, Europe, Asia, and other countries.

2. BASIS OF FINANCIAL STATEMENTS

Compliance with International Financial Reporting Standards (“IFRS”)

The condensed consolidated financial statements of the Company are prepared in accordance with International Accounting Standard (“IAS”) 34, as permitted by the provision of Article 93 of the Ordinance on Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements (the “Ordinance”) since the Company is fully qualified as a *Specified Company under Designated International Financial Reporting Standards* pursuant to the provision of Article 1-2 of the Ordinance. Since they do not include all the information and disclosures required for a complete set of financial statements, they should be read in conjunction with the consolidated financial statements for the year ended December 31, 2019.

Basis of Measurement

Except for the items measured at fair value, such as financial instruments, the Company’s condensed consolidated financial statements are prepared on a historical cost basis.

Functional Currency and Presentation Currency

The condensed consolidated financial statements of the Company are presented in Japanese yen, which is the Parent Company’s functional currency, and figures are rounded to the nearest million yen.

Significant Accounting Judgements, Estimates, and Assumptions

The condensed consolidated financial statements of the Company are prepared by using judgements, estimates, and assumptions relating to the application of accounting policies and reporting of assets, liabilities, revenue, and expenses. Actual results could differ from those accounting estimates and assumptions.

The estimates and assumptions are continually reviewed. The effects of a change in accounting estimates, if any, are recognized in the reporting period in which the change is made and in the future periods.

The significant accounting judgements, estimates, and assumptions made in preparing the condensed consolidated financial statements are consistent with those made in preparing the consolidated financial statements for the year ended December 31, 2019.

The Company expects the infection spread of COVID-19 will settle gradually. However, the negative impact of COVID-19 is expected to continue throughout the year because the pace of a recovery in demand after the resumption of economic activities is expected to be slow and it is expected to take time for a recovery in production, including parts procurement. However there are no significant effect on accounting judgements, estimates, and assumptions.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied on the condensed consolidated financial statements are consistent with those applied on the consolidated financial statements for the year ended December 31, 2019,

Income taxes on a quarterly basis are computed using the estimated annual effective tax rate.

4. SEGMENT INFORMATION

The Company engages in various fields of business and industries by providing products and services that 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, and construction machinery. The Water & Environment segment manufactures and distributes pipe- and infrastructure-related products (ductile iron pipes, plastic pipes, valves for public sector, industrial castings, ceramics, spiral welded steel pipes, air-conditioning equipment, and other products), and environment-related products (environmental control plants, pumps, valves for private sector and other products). The Other segment offers a variety of services.

Financial information of the segments 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 reportable segments are consistent with the accounting policies used in the Company's condensed consolidated financial statements.

Beginning with the current consolidated fiscal year, in conformity with the change in the business reporting structure of the Company, the amounts related to "Air-conditioning equipment" are reported in the "Water & Environment" segment, whereas they were formerly reported in the "Farm & Industrial Machinery" segment. The information for the prior fiscal year has been retrospectively adjusted to conform to the current fiscal year's presentation.

Information by reportable segment is summarized as follows:

(Unit: millions of yen)

Six months ended June 30:	Farm & Industrial Machinery	Water & Environment	Other	Adjustments	Consolidated
2020:					
Revenue:					
External customers	¥ 718,996	¥ 150,326	¥ 14,848	¥ —	¥ 884,170
Intersegment	137	535	13,240	(13,912)	—
Total	719,133	150,861	28,088	(13,912)	884,170
Operating profit	¥ 87,149	¥ 9,904	¥ 1,530	¥ (16,913)	¥ 81,670
2019:					
Revenue:					
External customers	¥ 800,822	¥ 154,138	¥ 15,869	¥ —	¥ 970,829
Intersegment	121	537	14,032	(14,690)	—
Total	800,943	154,675	29,901	(14,690)	970,829
Operating profit	¥ 116,245	¥ 10,733	¥ 1,623	¥ (17,654)	¥ 110,947

(Notes)

1. *Adjustments* include items such as the elimination of intersegment transfers and corporate expenses which are not allocated to any particular reportable segment. The corporate expenses included in *Adjustments* consist mainly of administration department expenses, basic research expenses, and foreign exchange gains or losses incurred by the Parent Company.
2. The aggregated amounts of operating profit are equal to those presented in the condensed consolidated statement of profit or loss. Please refer to the condensed consolidated statement of profit or loss for the reconciliation of operating profit to profit before income taxes.
3. Intersegment transfers are recorded at values that approximate market prices.

(Unit: millions of yen)

Three months ended June 30:	Farm & Industrial Machinery	Water & Environment	Other	Adjustments	Consolidated
2020:					
Revenue:					
External customers	¥ 372,098	¥ 65,474	¥ 7,055	¥ —	¥ 444,627
Intersegment	94	264	6,221	(6,579)	—
Total	372,192	65,738	13,276	(6,579)	444,627
Operating profit	¥ 56,664	¥ 1,606	¥ 524	¥ (7,582)	¥ 51,212
2019:					
Revenue:					
External customers	¥ 414,247	¥ 68,137	¥ 7,733	¥ —	¥ 490,117
Intersegment	30	241	7,154	(7,425)	—
Total	414,277	68,378	14,887	(7,425)	490,117
Operating profit	¥ 64,786	¥ 1,345	¥ 548	¥ (8,613)	¥ 58,066

(Notes)

- Adjustments* include items such as the elimination of intersegment transfers and corporate expenses which are not allocated to any particular reportable segment. The corporate expenses included in *Adjustments* consist mainly of administration department expenses, basic research expenses, and foreign exchange gains or losses incurred by the Parent Company.
- The aggregated amounts of operating profit are equal to those presented in the condensed consolidated statement of profit or loss. Please refer to the condensed consolidated statement of profit or loss for the reconciliation of operating profit to profit before income taxes.
- Intersegment transfers are recorded at values that approximate market prices.

5. OTHER FINANCIAL ASSETS

Other financial assets are composed of the following:

	(Unit: millions of yen)	
	June 30, 2020	December 31, 2019
Financial assets measured at amortized cost:		
Long-term trade accounts receivable	¥ 42,040	¥ 37,880
Time deposits	55,556	31,147
Restricted cash *	14,532	13,661
Others	14,132	21,108
Financial assets measured at fair value through other comprehensive income:		
Debt financial assets	4,891	8,180
Equity financial assets	71,461	108,850
Financial assets measured at fair value through profit or loss:		
Derivatives	692	78
Total	¥ 203,304	¥ 220,904
Current assets	87,075	71,968
Noncurrent assets	116,229	148,936

(Note)

* Deposits pledged as collateral that are restricted from its withdrawal and advances received for public work that are restricted from its usage.

6. OTHER FINANCIAL LIABILITIES

Other financial liabilities are composed of the following:

(Unit: millions of yen)

	June 30, 2020	December 31, 2019
Financial liabilities measured at amortized cost:		
Lease liabilities	¥ 36,025	¥ 40,811
Notes and accounts payable for capital expenditures	18,642	27,288
Deposits received	22,178	19,204
Others	12,927	12,692
Financial liabilities measured at fair value through profit or loss:		
Derivatives	8,287	9,112
Total	¥ 98,059	¥ 109,107
Current liabilities	72,910	78,860
Noncurrent liabilities	25,149	30,247

7. OTHER LIABILITIES

Other liabilities are composed of the following:

(Unit: millions of yen)

	June 30, 2020	December 31, 2019
Employment benefit obligation	¥ 44,993	¥ 43,881
Accrued expenses	42,431	36,862
Refund liabilities	38,728	47,072
Contract liabilities	14,698	14,924
Others	60,910	55,134
Total	¥ 201,760	¥ 197,873
Current liabilities	196,773	192,959
Noncurrent liabilities	4,987	4,914

8. REVENUE

The following table presents the Company's revenue recognized from contracts with customers and other sources of revenue by product group and location:

Beginning with the first quarter of the current consolidated fiscal year, the Company reassesses product categories in response to change in the composition of segments. The comparative information has been retrospectively adjusted to conform to the current fiscal year's presentation.

(Unit: millions of yen)

Six months ended June 30, 2020	Japan	North America	Europe	Asia outside Japan	Other area	Total
Farm equipment and engines	¥ 127,636	¥ 203,089	¥ 69,713	¥ 130,696	¥ 14,776	¥ 545,910
Construction machinery	15,501	66,807	37,931	10,369	4,583	135,191
Farm & Industrial Machinery	143,137	269,896	107,644	141,065	19,359	681,101
Pipe- and infrastructure-related products	75,393	4,685	839	6,364	3,044	90,325
Environment-related products	55,519	503	304	3,085	590	60,001
Water & Environment	130,912	5,188	1,143	9,449	3,634	150,326
Other	14,681	2	1	10	3	14,697
Revenue recognized from:						
Contracts with customers	288,730	275,086	108,788	150,524	22,996	846,124
Other sources of revenue	1,463	25,275	—	10,636	672	38,046
Total	¥ 290,193	¥ 300,361	¥ 108,788	¥ 161,160	¥ 23,668	¥ 884,170

(Unit: millions of yen)

Six months ended June 30, 2019	Japan	North America	Europe	Asia outside Japan	Other area	Total
Farm equipment and engines	¥ 141,152	¥ 226,727	¥ 85,118	¥ 135,049	¥ 13,524	¥ 601,570
Construction machinery	16,497	82,990	45,984	13,065	4,550	163,086
Farm & Industrial Machinery	157,649	309,717	131,102	148,114	18,074	764,656
Pipe- and infrastructure-related products	75,647	4,252	1,090	5,565	3,376	89,930
Environment-related products	59,698	392	184	2,951	983	64,208
Water & Environment	135,345	4,644	1,274	8,516	4,359	154,138
Other	15,656	14	3	20	3	15,696
Revenue recognized from:						
Contracts with customers	308,650	314,375	132,379	156,650	22,436	934,490
Other sources of revenue	1,452	23,908	—	10,192	787	36,339
Total	¥ 310,102	¥ 338,283	¥ 132,379	¥ 166,842	¥ 23,223	¥ 970,829

Revenue recognized from other sources of revenue includes revenue from retail finance and revenue from finance lease using effective interest rate method. The amounts of the above revenue are ¥28,044 million and ¥27,328 million for the six months ended June 30, 2020 and 2019, respectively.

9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The Company adopted a restricted stock compensation plan (the "Plan") for the Company's Directors. Among the new shares issued under the Plan, contingently returnable shares are distinguished as participating equity instruments from common shares.

Each common share and participating equity instrument has the same right to profit attributable to owners of the parent.

The numerator and denominator used to calculate basic earnings per share attributable to owners of the parent are presented in the following table:

Six months ended June 30:	2020	2019
		(Unit: millions of yen)
Profit attributable to owners of the parent	¥ 59,570	¥ 81,189
Profit attributable to participating equity instruments	2	2
Profit attributable to common shareholders	¥ 59,568	¥ 81,187
		(thousands of shares)
Weighted-average number of common shares issued	1,218,881	1,230,973
Weighted-average number of participating equity instruments	40	26
Weighted-average number of common shares outstanding	1,218,840	1,230,947

Three months ended June 30:	2020	2019
		(Unit: millions of yen)
Profit attributable to owners of the parent	¥ 38,814	¥ 43,907
Profit attributable to participating equity instruments	2	2
Profit attributable to common shareholders	¥ 38,812	¥ 43,905
		(thousands of shares)
Weighted-average number of common shares issued	1,217,833	1,229,825
Weighted-average number of participating equity instruments	76	50
Weighted-average number of common shares outstanding	1,217,758	1,229,775

Earnings per share attributable to owners of the parent—Diluted is not stated because Kubota Corporation did not have potentially dilutive common shares that were outstanding during the period.

10. DIVIDENDS

Dividends paid are as follows:

Six months ended June 30, 2020

Date of resolution	Class of shares	Dividends (millions of yen)	Dividends per common share (yen)	Record date	Effective date
The Meeting of the Board of Directors on February 14, 2020	Common shares	¥ 23,185	¥ 19.00	December 31, 2019	March 23, 2020

Six months ended June 30, 2019

Date of resolution	Class of shares	Dividends (millions of yen)	Dividends per common share (yen)	Record date	Effective date
The Meeting of the Board of Directors on February 14, 2019	Common shares	¥ 22,184	¥ 18.00	December 31, 2018	March 25, 2019

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value measurements are classified into the following three levels by inputs used for measurements:

Level 1 – quoted prices in active markets for identical assets or liabilities

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly

Level 3 – unobservable inputs for the assets or liabilities. These are measured using the entity's own assumptions and inputs that are reasonably available or inputs many market participants use with reasonable confidence

Financial instruments measured at fair value

The following table presents fair values of financial instruments measured at fair value:

(Unit: millions of yen)

	June 30, 2020			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at fair value through other comprehensive income:				
Debt financial assets	¥ 4,891	¥ —	¥ —	¥ 4,891
Equity financial assets	67,971	—	3,490	71,461
Financial assets measured at fair value through profit or loss:				
Derivatives:				
Foreign exchange contracts	—	656	—	656
Cross-currency interest rate swap contracts	—	36	—	36
Total	¥ 72,862	¥ 692	¥ 3,490	¥ 77,044
Financial liabilities:				
Financial liabilities measured at fair value through profit or loss:				
Derivatives:				
Foreign exchange contracts	¥ —	¥ 1,882	¥ —	¥ 1,882
Interest swap contracts	—	2,142	—	2,142
Cross-currency interest rate swap contracts	—	4,263	—	4,263
Total	¥ —	¥ 8,287	¥ —	¥ 8,287

(Unit: millions of yen)

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at fair value through other comprehensive income:				
Debt financial assets	¥ 8,180	¥ —	¥ —	¥ 8,180
Equity financial assets	106,218	—	2,632	108,850
Financial assets measured at fair value through profit or loss:				
Derivatives:				
Foreign exchange contracts	—	64	—	64
Cross-currency swap contracts	—	14	—	14
Total	¥ 114,398	¥ 78	¥ 2,632	¥ 117,108
Financial liabilities:				
Financial liabilities measured at fair value through profit or loss:				
Derivatives:				
Foreign exchange contracts	¥ —	¥ 2,231	¥ —	¥ 2,231
Cross-currency swap contracts	—	100	—	100
Interest swap contracts	—	1,215	—	1,215
Cross-currency interest rate swap contracts	—	5,566	—	5,566
Total	¥ —	¥ 9,112	¥ —	¥ 9,112

Debt financial assets and equity financial assets classified in Level 1 are measured at fair value using quoted prices for identical assets in active markets.

Derivatives are classified in Level 2 since they are measured at fair value using observable market inputs obtained from major international financial institutions.

Equity financial assets classified in Level 3 are unlisted equity securities and measured at fair value using methods such as the comparable company comparison method with the earnings before interest and tax ("EBIT") ratio (from -5.2 to 23.4), etc. As the EBIT ratio increases (decreases), the fair values on those equity financial assets increase (decrease).

Transfers between levels are recognized at the end of the reporting periods when such transfers occur. There were no significant transfers of financial instruments between the levels for the six months ended June 30, 2020 and 2019.

The following table presents reconciliation of financial instruments classified in Level 3:

(Unit: millions of yen)				
Six months ended June 30:				
		2020		2019
Balance at the beginning of the period	¥	2,632	¥	3,025
Gains or losses*		529		58
Purchases		432		14
Sales		(103)		(10)
Balance at the end of the period	¥	3,490	¥	3,087

(Note)

* Gains or losses are those related to unlisted equity securities held as of June 30, 2020 and 2019, and included in net change in fair value of financial assets measured at fair value through other comprehensive income in the condensed consolidated statement of comprehensive income.

Financial instruments measured at amortized cost

The following table summarizes the carrying amount and fair value of financial instruments measured at amortized cost:

(Unit: millions of yen)

	June 30, 2020		December 31, 2019	
	Carrying Amount	Fair value	Carrying amount	Fair value
Finance receivables:				
Retail finance receivables	¥ 754,638	¥ 762,514	¥ 716,075	¥ 699,687
Finance lease receivables	275,214	324,115	277,096	316,736
Long-term trade accounts receivable	78,336	83,154	66,863	71,829
Bonds and borrowings	957,120	968,935	902,981	901,316

The fair value of finance receivables, long-term trade accounts receivable, and bonds and borrowings is stated at the present value of future cash flows discounted by the current market rate. Long-term trade accounts receivable in the above table includes the current portion, which is included in trade receivables in the condensed consolidated statement of financial position.

The carrying amounts of cash and cash equivalents, trade receivables (excluding the current portion of long-term trade accounts receivable), other financial assets (excluding debt financial assets measured at fair value, equity financial assets, and derivatives), trade payables, and other financial liabilities (excluding lease liabilities and derivatives) approximate their fair values due to their short-term maturity.

12. CONTINGENT LIABILITIES

Legal Proceedings

Since May 2007, the Company has been subject to 36 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 total claims for compensation of all 36 lawsuits aggregate ¥29,361 million, which relate to 766 construction workers who suffered from asbestos-related diseases.

23 among 36 lawsuits were compiled into seven cases, which were decided in favor of the Company, but the plaintiffs appealed the court ruling of these seven cases. The appellate court ordered the Company to pay compensation damages of ¥7 million under the judgement. Apart from the above case, the four appellate courts ruled in favor of the Company, but the plaintiffs of the four cases appealed to the supreme courts.

Since the above cases will continue until an ultimate outcome is reached and the similar asbestos-related cases in Japan are still pending and have not been finally concluded, the Company is not able to use them as a reference in predicting the ultimate outcomes of the above cases.

The Company reviews the status of each lawsuit on a regular basis by utilizing consultations of outside legal counsel, however, due to the above reasons, the Company believes that it is currently unable to predict the ultimate outcome of all lawsuits.

The Company does not have any cost-sharing arrangements with other potentially responsible parties, including the government for these 36 lawsuits.

Matters Related to the Health Hazards of Asbestos

The Company's plant in Amagasaki, Hyogo Prefecture, Japan, previously produced asbestos-related products. The Company decided to make voluntary consolation payments to certain residents in June 2005, and established a relief payment program in place as a voluntary consolation payment to the residents in April 2006. With regard to the current and former employees who suffered and are suffering from asbestos-related diseases, the Company provides compensation which is not required by law, but is made in accordance with the Company's internal policies.

In its effort to develop an estimate of future asbestos-related expenditures, the Company has considered all available data, including a time series of historical claims and payments, the rate of incidence of asbestos related disease, and public information related to asbestos-related disease. However the health hazards of asbestos tend to have a longer incubation period, and therefore reliable statistics related to the rate of incidence in asbestos-related disease are not available to the Company. Furthermore, since there have not been any asbestos-related events impacting other companies in Japan for which all claims have been finalized, for estimation of the rate of incidence, the Company believes it is not possible to decide the range of the final possible outcome in the future. For these reasons, the Company believes it is not possible to reliably estimate the amount of its ultimate liability, and the Company does not accrue on this contingency.

The Law for the Relief of Patients Suffering from Asbestos-Related Diseases (the "New Asbestos Law") was established by the Japanese government, and the contributions made by business entities include 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 accrues asbestos-related expenses when the Company receives the related claims, which include 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. The accrued balances for those expenses are ¥313 million and ¥143 million at June 30, 2020 and December 31, 2019, respectively. The asbestos related expenses recognized for the six months ended June 30, 2020 and 2019 were ¥341 million and ¥597 million, respectively.

13. SUBSEQUENT EVENTS

Not applicable.

14. APPROVAL OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved on August 7, 2020 by Yuichi Kitao, President and Representative Director of the Parent Company, and Masato Yoshikawa, Director and Senior Managing Executive Officer, General Manager of Planning & Control Headquarters of the Parent Company.

2. Other

On August 4, 2020, the Board of Directors of the Parent Company resolved and paid dividends as follows:

1) Shareholders to Be Paid Dividends

Shareholders of record on June 30, 2020

2) Amount of Dividends

¥17.00 per common share, a total of ¥20,668 million

3) Effective Date of Claim of Payment and Start Date of Payment

September 1, 2020

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]	August 7, 2020
[Company Name]	Kabushiki Kaisha Kubota
[Company Name in English]	Kubota Corporation
[Title and Name of Representative]	Yuichi Kitao, President and Representative Director
[Title and Name of CFO]	Masato Yoshikawa, 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, Tokyo Head Office (1-3, Kyobashi 2-chome, Chuo-ku, Tokyo, 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

Yuichi Kitao, President and Representative Director, and Masato Yoshikawa, Director and Senior Managing Executive Officer, General Manager of Planning & Control Headquarters, confirmed that statements contained in the Quarterly Report for the second quarter of the 131st business term (from April 1, 2020 to June 30, 2020) were adequate under the Financial Instruments and Exchange Act of Japan.

2. Special Notes

Not applicable.