

[Translation]

Quarterly Report

(The First Quarter of 126th Business Term)
From April 1, 2015 to June 30, 2015

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

KUBOTA Corporation

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Confirmation Letter

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[Company Name]	Kabushiki Kaisha Kubota
[Company Name in English]	KUBOTA Corporation
[Title and Name of Representative]	Masatoshi Kimata, President and Representative Director
[Address of Head Office]	2-47, Shikitsuhigashi 1-chome, Naniwa-ku, Osaka, JAPAN
[Phone No.]	+81-6-6648-2622
[Contact Person]	Hironori Mitani, General Manager of Accounting Dept.
[Contact Address]	1-3, Kyobashi 2-chome, Chuo-ku, Tokyo, JAPAN, KUBOTA Corporation, Tokyo Head Office
[Phone No.]	+81-3-3245-3111
[Contact Person]	Yusuke Uchida, General Manager of Tokyo Administration Dept.
[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)

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)

	Three months ended June 30, 2015	Three months ended June 30, 2014	Year ended March 31, 2015
Revenues	¥ 412,091	¥ 360,725	¥ 1,586,937
Income before income taxes and equity in net income of affiliated companies	64,119	53,357	211,259
Net income attributable to Kubota Corporation	40,627	33,425	140,012
Comprehensive income	56,473	31,741	230,755
Total Kubota Corporation Shareholders' equity	1,132,601	941,345	1,100,998
Total equity	1,211,483	1,009,276	1,179,393
Total assets	2,499,324	2,090,985	2,476,820
Net income attributable to Kubota Corporation per common share:			
Basic	32.64	26.75	112.07
Diluted	—	—	—
Total Kubota Corporation shareholders' equity ratio (%)	45.3	45.0	44.4
Net cash provided by operating activities	99,833	33,849	84,000
Net cash used in investing activities	(47,126)	(43,902)	(117,507)
Net cash provided (used in) by financing activities	(39,655)	10,481	52,602
Cash and cash equivalents, end of period	127,658	86,985	113,016

(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. Revenues do not include consumption taxes.
3. "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.
4. Amounts less than presentation units are rounded.

2. Description of Business

There was no significant change in businesses of the Company for the three months ended June 30, 2015. Accordingly, there was no influence on the positions of the Company.

Beginning with the first quarter of the current consolidated fiscal year, the amounts related to "electronic equipped machinery" are reported in the "Farm & Industrial Machinery" segment, whereas they were formerly reported in the "Water & Environment" segment, in conformity with the change in the business reporting structure of the Company.

2. Business Overview

1. Risk Factors

For the three months ended June 30, 2015, none of event or fact described in 2. Business Overview or 4. Financial Information which may have a significant influence on investor's investment decisions was identified. There was no significant change from the information described in the Risk Factors' section of the Annual Securities Report for the year ended March 31, 2015.

In addition, any significant concerns or events do not exist as of the filing date.

2. Material Contracts

There was no material contract decided to be concluded or was concluded for the three months ended June 30, 2015.

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

(1) Analyses of Results of Operations

For the three months ended June 30, 2015, revenues of the Company increased by ¥51.4 billion (14.2%) from the corresponding period in the prior year, to ¥412.1 billion.

Domestic revenues increased by ¥5.5 billion (5.0%) from the corresponding period in the prior year, to ¥116.9 billion, due to an increase in revenues in Farm & Industrial Machinery and Other, while revenues in Water & Environment decreased.

Overseas revenues rose by ¥45.8 billion (18.4%) from the corresponding period in the prior year, to ¥295.2 billion. In Farm & Industrial Machinery, revenues increased by a large margin due to the effect of yen depreciation and growing sales in China. Revenues in Water & Environment also increased due to an expansion of exports of ductile iron pipes.

Operating income increased by ¥7.7 billion (14.6%) from the corresponding period in the prior year, to ¥60.1 billion. The impact of increased revenues in domestic and overseas markets and the effect of yen depreciation exceeded the negative impact of higher fixed costs. Income before income taxes and equity in net income of affiliated companies, equivalent to operating income plus other income of ¥4.0 billion, amounted to ¥64.1 billion, which was ¥10.8 billion (20.2%) higher than in the corresponding period in the prior year. Income taxes were ¥21.2 billion and net income increased by ¥7.2 billion (19.8%) from the corresponding period in the prior year, to ¥43.6 billion. Net income attributable to Kubota Corporation increased by ¥7.2 billion (21.5%) from the corresponding period in the prior year, to ¥40.6 billion.

Beginning with the first quarter of the current consolidated fiscal year, the amounts related to "electronic equipped machinery" are reported in the "Farm & Industrial Machinery" segment, whereas they were formerly reported in the "Water & Environment" segment, in conformity with the change in the business reporting structure of the Company. The segment information for the three months ended June 30, 2014 has been retrospectively adjusted to conform to the current year presentation.

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, engines, construction machinery, and electronic equipped machinery.

Revenues in this segment grew by 14.5% from the corresponding period in the prior year, to ¥352.0 billion, and accounted for 85.4% of consolidated revenues.

Domestic revenues increased by 9.0 % from the corresponding period in the prior year, to ¥73.9 billion. Sales of farm equipment increased due to a recovery from an adverse reaction to the front-loaded demand before Japan's consumption tax hike in the prior year and aggressive sales activities to promote demand before revisions in emission regulations. Sales of construction machinery steadily increased supported by brisk demand.

Overseas revenues increased by 16.1% from the corresponding period in the prior year, to ¥278.2 billion. In North America, sales of tractors increased due to higher sales of movers and compact tractors and the effect of yen depreciation. This increase exceeded lower sales of utility vehicles resulted from the adverse reaction to the release of new models last year as well as decreased sales of midscale tractors. Sales of construction machinery and engines

remained favorable along with the economic recovery and steady demand in the housing market. In Europe, revenues showed a small decline due to the stagnation in the agricultural market and the effect of euro depreciation, while sales of construction machinery and engines expanded. Revenues in Asia outside Japan recorded a significant increase due to higher sales in China due to the effect of the resumption of government subsidy and the effect of yen depreciation. Sales in Thailand increased due to higher sales of tractors and combine harvesters and the effect of yen depreciation. This increase compensated for lower sales of power tillers and engines.

Operating income in Farm & Industrial Machinery increased by 17.2% from the corresponding period in the prior year, to ¥64.2 billion. Increased revenues in Japan and Asia outside Japan and the effect of yen depreciation compensated for increased fixed costs.

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 grew by 13.9% from the corresponding period in the prior year, to ¥53.5 billion, and accounted for 13.0% of consolidated revenues.

Domestic revenues decreased by 2.1% from the corresponding period in the prior year, to ¥36.6 billion. Revenues from pipe-related products underperformed from the corresponding period in the prior year due to lower sales of ductile iron pipes and pumps, while sales of plastic pipes and construction business increased. Revenues from environment-related products rose slightly due to higher sales of water treatment and others, while sales of waste water treatment equipment and plants decreased. Revenues from social infrastructure-related products decreased due to lower sales of spiral-welded steel pipes.

Overseas revenues rose by 76.6% from the corresponding period in the prior year, to ¥16.9 billion. Revenues from pipe-related products increased sharply due to an expansion of exports of ductile iron pipes and valves. Revenues from environment-related products and social infrastructure-related products also increased from the corresponding period in the prior year due to higher sales of membrane systems, industrial casting, and ceramics.

Operating income in Water & Environment decreased by 38.2% from the corresponding period in the prior year, to ¥1.3 billion due to the negative impact of higher fixed costs.

3) Other

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

Revenues in this segment increased by 2.5% from the corresponding period in the prior year, to ¥6.6 billion, and accounted for 1.6% of consolidated revenues.

Operating income in Other increased by 4.7% from the corresponding period in the prior year, to ¥0.5 billion.

(2) Analyses of Financial Condition

Total assets at June 30, 2015 amounted to ¥2,499.3 billion, an increase of ¥22.5 billion from March 31, 2015.

Among assets, notes and accounts receivable decreased by a large margin. On the other hand, short- and long-term finance receivables increased from the prior year-end due to the effect of yen depreciation and an expansion in overseas sales financing operations.

Among liabilities, income taxes payable decreased. The aggregated amount of interest-bearing debt, which is composed of short-term borrowings, current portion of long-term debt, and long-term debt, also decreased due to collection of notes and accounts receivables.

Equity increased due to the accumulation of retained earnings and an improvement in accumulated other comprehensive income, while treasury stock increased due to the program of purchasing its own shares. The shareholders' equity ratio was 45.3%, 0.9 percentage points higher than at the prior fiscal year-end.

(3) Analyses of Status of Cash Flows

Net cash provided by operating activities for the three months ended June 30, 2015 was ¥99.8 billion, an increase of ¥66.0 billion in cash inflow from the corresponding period in the prior year. This increase resulted from an increase in net

income and a substantial decline in trade notes and accounts payable and income taxes payable in the corresponding period in the prior year.

Net cash used in investing activities was ¥47.1 billion, an increase of ¥3.2 billion in cash outflow from the corresponding period in the prior year. This increase was mainly due to an increase of in finance receivables.

Net cash used in financing activities was ¥39.7 billion, an increase of ¥50.1 billion in cash outflow from the corresponding period in the prior year. This increase was mainly due to a significant decrease in proceeds from issuance of long-term debt.

As a result, after taking account of the effect of exchange rate changes on cash and cash equivalents, cash and cash equivalents at June 30, 2015 were ¥127.7 billion, an increase of ¥14.6 billion from the beginning of the year.

(4) Issues to Address on Business and Finance

There was no material change in the issues for the Company to address on and challenge for the three months ended June 30, 2015. Also, no additional issue rose.

(5) Research and Development

The Company's research and development expenses for the three months ended June 30, 2015 were ¥10.1 billion.

(6) Major Property, Plants, and Equipment

The following table presents a plan for new construction of material property, plants, and equipment which was newly decided during the three months ended June 30, 2015:

Company name Facility (Location)	Reporting segment	Description	Estimated amount of expenditures		Schedule	
			Total amount of expenditures (millions of US\$)	Amount already paid (millions of US\$)	Commenced	To be completed
Kubota Manufacturing of America Corporation (Georgia, U.S.)	Farm & Industrial Machinery	Building of new facility for production expansion of utility vehicles	63.6	2.1	April 2015	June 2017

3. Information on Kubota Corporation

1. Information on the Stock of Kubota Corporation

(1) Total Number of Shares

1) Total Number of Shares

Class	Total number of shares authorized to be issued (shares)
Common stock	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, 2015)	Number of shares issued as of filing date (shares) (August 11, 2015)	Stock exchange on which Kubota Corporation is listed	Description
Common stock	1,246,219,180	1,246,219,180	Tokyo Stock Exchange, Inc. (the first section)	The number of shares per one unit of shares is 1,000 shares.
Total	1,246,219,180	1,246,219,180	—	—

(2) Information on the Stock 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 Stock, 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 stock (¥ in millions)	Balance of common stock (¥ in millions)	Changes in capital reserve (¥ in millions)	Balance of capital reserve (¥ in millions)
From: April 1, 2015	—	1,246,219	¥ —	¥ 84,070	¥ —	¥ 73,057
To: June 30, 2015						

(6) Major Shareholders

Not applicable

(7) Information on Voting Rights

Information on voting rights on the shareholder's list as of March 31, 2015 is stated in this item since Kubota Corporation does not identify the number of voting rights as of June 30, 2015 due to the lack of information.

1) Issued Shares

(As of March 31, 2015)

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 stock:	129,000	—	—
	(Crossholding stock) Common stock:	829,000		
Shares with full voting rights (others)	Common stock:	1,242,977,000	1,242,977	—
Shares less than one unit	Common stock:	2,284,180	—	Shares less than one unit (1,000 shares)
Number of issued shares		1,246,219,180	—	—
Total number of voting rights		—	1,242,977	—

(Note)

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

2) Treasury Stock

(As of March 31, 2015)

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, Shikitsu Higashi 1-chome, Naniwa-ku, Osaka, JAPAN	129,000	—	129,000	0.01
(Crossholding stock) Akita Kubota Corporation	295-38, Terauchikamiyashiki, Akita-shi, Akita, JAPAN	41,000	—	41,000	0.00
Minami Tohoku Kubota Corporation	16-1, Takakura Sugishita, Hiwadamachi, Koriyama-shi, Fukushima, JAPAN	102,000	—	102,000	0.00
Toyama Kubota Corporation	1540, Nishitoheizo, Takaoka-shi, Toyama, JAPAN	9,000	—	9,000	0.00
Chugoku Kubota Corporation	275, Shijikai, Higashi-ku, Okayama, JAPAN	111,000	—	111,000	0.00
Fukuokakyushu Kubota Corporation	11-36, Noma 1-chome, Minami-ku, Fukuoka, JAPAN	566,000	—	566,000	0.04
Total Crossholding stock	—	829,000	—	829,000	0.06
Total	—	958,000	—	958,000	0.07

2. Changes in Directors and Senior Management

There has been no change in the Directors nor senior management since the filing date of the Annual Securities Report for the 125th business term pursuant to the Financial Instruments and Exchange Act of Japan to June 30, 2015.

(Reference Information)

Kubota Corporation adopts the Executive Officer System. There has been no change in the Executive Officers who do not hold the post of Director, since the filing date of the Annual Securities Report for the 125th business term pursuant to the Financial Instruments and Exchange Act of Japan to June 30, 2015.

4. Financial Information

1. Consolidated Financial Statements

KUBOTA Corporation and its Subsidiaries

(1) Consolidated Balance Sheets

(¥ in millions)

	June 30, 2015	March 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	¥ 127,658	¥ 113,016
Notes and accounts receivable:		
Trade notes	77,862	87,505
Trade accounts	533,388	597,016
Less: Allowance for doubtful notes and accounts receivable	(4,310)	(4,068)
Short-term finance receivables—net	223,896	206,756
Inventories	351,703	338,033
Other current assets	116,733	104,756
Total current assets	1,426,930	1,443,014
Investments and long-term finance receivables:		
Investments in and loan receivables from affiliated companies	26,011	24,601
Other investments	164,980	156,216
Long-term finance receivables—net	472,561	441,129
Total investments and long-term finance receivables	663,552	621,946
Property, plant, and equipment:		
Land	85,303	86,293
Buildings	266,024	270,010
Machinery and equipment	461,988	457,618
Construction in progress	13,244	14,398
Total	826,559	828,319
Less: Accumulated depreciation	(534,525)	(531,229)
Net property, plant, and equipment	292,034	297,090
Other assets:		
Goodwill and intangible assets—net	31,997	34,696
Long-term trade accounts receivable	41,398	37,589
Other	43,959	43,035
Less: Allowance for doubtful non-current receivables	(546)	(550)
Total other assets	116,808	114,770
Total	¥ 2,499,324	¥ 2,476,820

(¥ in millions)

	June 30, 2015	March 31, 2015
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term borrowings	¥ 156,667	¥ 160,866
Trade notes payable	127,414	112,792
Trade accounts payable	104,990	115,541
Advances received from customers	9,212	10,491
Notes and accounts payable for capital expenditures	18,956	19,469
Accrued payroll costs	32,838	39,175
Accrued expenses	55,499	60,371
Income taxes payable	9,394	17,430
Other current liabilities	77,267	67,293
Current portion of long-term debt	153,147	126,771
Total current liabilities	745,384	730,199
Long-term liabilities:		
Long-term debt	448,978	479,952
Accrued retirement and pension costs	12,804	13,067
Other long-term liabilities	80,675	74,209
Total long-term liabilities	542,457	567,228
Commitments and contingencies		
Equity:		
Kubota Corporation shareholders' equity:		
Common stock, authorized 1,874,700,000 shares and issued 1,246,219,180 shares at June 30, and March 31, 2015	84,070	84,070
Capital surplus	87,850	87,880
Legal reserve	19,539	19,539
Retained earnings	819,237	798,547
Accumulated other comprehensive income	124,572	111,363
Treasury stock (1,690,258 shares and 518,708 shares at June 30, and March 31, 2015, respectively), at cost	(2,667)	(401)
Total Kubota Corporation shareholders' equity	1,132,601	1,100,998
Non-controlling interests	78,882	78,395
Total equity	1,211,483	1,179,393
Total	¥ 2,499,324	¥ 2,476,820

See notes to consolidated financial statements.

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income (Loss)
For the three months ended June 30, 2015 and 2014

Consolidated Statements of Income

(¥ in millions, except per share amounts)

	2015		2014	
Revenues	¥	412,091	¥	360,725
Cost of revenues		283,504		248,764
Selling, general, and administrative expenses		68,363		59,351
Other operating expenses — net		120		178
Operating income		60,014		52,432
Other income (expenses):				
Interest and dividend income		2,312		2,026
Interest expense		(271)		(524)
Gain on sales of securities—net		629		3
Foreign exchange gain (loss)—net		(1,102)		115
Other—net		2,447		(695)
Other income (expenses)—net		4,015		925
Income before income taxes and equity in net income of affiliated companies		64,119		53,357
Income taxes:				
Current		13,756		9,758
Deferred		7,398		7,830
Total income taxes		21,154		17,588
Equity in net income of affiliated companies		673		665
Net income		43,638		36,434
Less: Net income attributable to non-controlling interests		3,011		3,009
Net income attributable to Kubota Corporation	¥	40,627	¥	33,425
Net income attributable to Kubota Corporation per common share:				
Basic	¥	32.64	¥	26.75

Consolidated Statements of Comprehensive Income (Loss)

(¥ in millions)

	2015		2014	
Net income	¥	43,638	¥	36,434
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments		6,934		(7,303)
Unrealized gains on securities		6,134		2,583
Unrealized gains (losses) on derivatives		(2)		10
Pension liability adjustments		(231)		17
Total other comprehensive income (loss)		12,835		(4,693)
Comprehensive income		56,473		31,741
Less: Comprehensive income attributable to non-controlling interests		2,637		2,590
Comprehensive income attributable to Kubota Corporation	¥	53,836	¥	29,151

See notes to consolidated financial statements.

(3) Consolidated Statements 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 March 31, 2015	1,245,700	¥ 84,070	¥ 87,880	¥ 19,539	¥ 798,547	¥ 111,363	¥ (401)	¥ 78,395	¥ 1,179,393
Net income					40,627			3,011	43,638
Other comprehensive income (loss)						13,209		(374)	12,835
Cash dividends paid to Kubota Corporation shareholders (¥16.00 per common share)					(19,937)				(19,937)
Cash dividends paid to non-controlling interests								(1,751)	(1,751)
Purchases and sales of treasury stock	(1,171)						(2,266)		(2,226)
Changes in ownership interests in subsidiaries			(30)					(399)	(429)
Balance at June 30, 2015	1,244,529	¥ 84,070	¥ 87,850	¥ 19,539	¥ 819,237	¥ 124,572	¥ (2,667)	¥ 78,882	¥ 1,211,483
Balance at March 31, 2014	1,249,746	¥ 84,070	¥ 88,753	¥ 19,539	¥ 703,740	¥ 38,996	¥ (287)	¥ 65,802	¥ 1,000,613
Net income					33,425			3,009	36,434
Other comprehensive loss						(4,274)		(419)	(4,693)
Cash dividends paid to Kubota Corporation shareholders (¥18.00 per common share)					(22,502)				(22,502)
Cash dividends paid to non-controlling interests								(563)	(563)
Purchases and sales of treasury stock	(9)						(12)		(12)
Changes in ownership interests in subsidiaries			(103)					102	(1)
Balance at June 30, 2014	1,249,737	¥ 84,070	¥ 88,650	¥ 19,539	¥ 714,663	¥ 34,722	¥ (299)	¥ 67,931	¥ 1,009,276

See notes to consolidated financial statements.

(4) Consolidated Statements of Cash Flows

(¥ in millions)		
For the three months ended June 30:	2015	2014
Operating activities:		
Net income	¥ 43,638	¥ 36,434
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9,881	8,876
Gain on sales of securities—net	(629)	(3)
Equity in net income of affiliated companies	(673)	(665)
Deferred income taxes	7,398	7,830
Changes in assets and liabilities:		
Decrease in notes and accounts receivable	72,066	71,869
Increase in inventories	(12,348)	(21,386)
Increase in other current assets	(14,317)	(19,254)
Increase (decrease) in trade notes and accounts payable	4,391	(18,053)
Decrease in income taxes payable	(8,252)	(28,977)
Decrease in other current liabilities	(2,159)	(3,372)
Decrease in accrued retirement and pension costs	(3,262)	(2,667)
Other	4,099	3,217
Net cash provided by operating activities	99,833	33,849
Investing activities:		
Purchases of fixed assets	(8,623)	(7,895)
Proceeds from sales of property, plant, and equipment	249	37
Proceeds from sales and redemption of investments	861	10
Increase in finance receivables	(122,309)	(97,421)
Collection of finance receivables	78,637	59,768
Net decrease in short-term loan receivables from affiliated companies	4,242	1,320
Net decrease in time deposits	312	283
Other	(495)	(4)
Net cash used in investing activities	(47,126)	(43,902)
Financing activities:		
Proceeds from issuance of long-term debt	6,979	138,950
Repayments of long-term debt	(20,029)	(105,946)
Net increase (decrease) in short-term borrowings	(2,651)	555
Payments of cash dividends	(19,937)	(22,502)
Purchases of treasury stock	(2,226)	(12)
Other	(1,751)	(564)
Net cash provided by (used in) financing activities	(39,655)	10,481
Effect of exchange rate changes on cash and cash equivalents	1,590	(465)
Net increase (decrease) in cash and cash equivalents	14,642	(37)
Cash and cash equivalents, beginning of year	113,016	87,022
Cash and cash equivalents, end of period	¥ 127,658	¥ 86,985

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

KUBOTA Corporation and its Subsidiaries

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

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

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)

	June 30, 2015	March 31, 2015
Finished products	¥ 218,168	¥ 207,374
Spare parts	43,817	43,964
Work in process	47,381	42,726
Raw materials and supplies	42,337	43,969
	¥ 351,703	¥ 338,033

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)

	June 30, 2015				March 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	¥ 21,813	¥ 65,139	¥ 43,326	¥ —	¥ 22,010	¥ 56,031	¥ 34,021	¥ —
Other equity securities	16,303	96,194	79,891	—	16,347	96,532	80,186	1
	¥ 38,116	¥ 161,333	¥ 123,217	¥ —	¥ 38,357	¥ 152,563	¥ 114,207	¥ 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)

	June 30, 2015				March 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	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Other equity securities	—	—	—	—	81	1	—	—
	¥ —	¥ —	¥ —	¥ —	¥ 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)

	2015	2014
For the three months ended June 30:		
Proceeds from sales of available-for-sale securities	¥ 858	¥ 9
Gross realized gains	629	3
Gross realized losses	—	—

Investments in nonmarketable equity securities of ¥3,647 million and ¥3,653 million were recorded in other investments on the consolidated balance sheets at June 30, and March 31, 2015. Investments in nonmarketable equity securities for which there is no readily determinable fair value are accounted for using the cost method. Such investments in nonmarketable equity securities were not evaluated for impairment because the Company determined that it was not practicable to estimate the fair value of these investments and 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 at the aggregate of lease payments receivable plus the estimated residual value of the leased property, less unearned income and allowance for credit losses. There was no unguaranteed residual value related to finance leases at June 30, 2015.

(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 and Asia outside Japan.

Retail finance receivables and finance lease receivables are collectively reported as short-term finance receivables—net and long-term finance receivables—net on the consolidated balance sheets. Long-term trade accounts

receivable in this note 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 on these receivables are affected by economic conditions, such as consumer demand, unemployment level, and the level of government subsidies, which differ from location to location.

(Credit Quality Indicator)

The Company classifies sales financing receivables into risk categories based on relevant information about the ability of borrowers to service their debt, such as the collection status of receivables, customers' financial health, historical credit loss 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 performing on schedule under their terms. They are not likely to incur losses arising from customers' inability to repay and the Company expects to collect all amounts due.
- Rank B – These receivables require management's attention to potential losses but are not categorized as rank C. Such receivables do not indicate that it is individually probable that losses will be incurred arising from customers' inability to repay.
- Rank C – The Company becomes aware of a customer's inability to repay, such as 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 customers' 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)

Credit risk profile by internally assigned rank:	Retail finance receivables		Finance lease receivables		Long-term trade accounts receivable	
	North America	Other areas	Japan	Asia outside Japan	Japan	Asia outside Japan
At June 30, 2015:						
Rank A	¥ 479,866	¥ 14,621	¥ 8,372	¥ 167,038	¥ 73,661	¥ 1,063
Rank B	22,580	—	94	22,115	1,240	—
Rank C	103	44	—	—	350	—
Total	¥ 502,549	¥ 14,665	¥ 8,466	¥ 189,153	¥ 75,251	¥ 1,063
At March 31, 2015:						
Rank A	¥ 437,187	¥ 13,245	¥ 7,872	¥ 165,076	¥ 64,999	¥ 1,111
Rank B	19,060	—	164	22,690	1,759	—
Rank C	113	33	—	—	337	—
Total	¥ 456,360	¥ 13,278	¥ 8,036	¥ 187,766	¥ 67,095	¥ 1,111

(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 June 30, 2015:								
Retail finance receivables	North America	¥ 20,452	¥ 1,356	¥ 289	¥ 587	¥ 22,684	¥ 479,865	¥ 502,549
Retail finance receivables	Other areas	—	—	44	—	44	14,621	14,665
Finance lease receivables	Japan	22	1	6	64	93	8,373	8,466
Finance lease receivables	Asia outside Japan	2,269	4,330	2,454	12,995	22,048	167,105	189,153
Long-term trade accounts receivable	Japan	310	124	89	882	1,405	73,846	75,251
Long-term trade accounts receivable	Asia outside Japan	—	—	—	—	—	1,063	1,063
Total		¥ 23,053	¥ 5,811	¥ 2,882	¥ 14,528	¥ 46,274	¥ 744,873	¥ 791,147
At March 31, 2015:								
Retail finance receivables	North America	¥ 16,988	¥ 1,314	¥ 374	¥ 497	¥ 19,173	¥ 437,187	¥ 456,360
Retail finance receivables	Other areas	—	—	33	—	33	13,245	13,278
Finance lease receivables	Japan	45	17	27	71	160	7,876	8,036
Finance lease receivables	Asia outside Japan	4,706	3,315	3,215	11,388	22,624	165,142	187,766
Long-term trade accounts receivable	Japan	403	198	446	900	1,947	65,148	67,095
Long-term trade accounts receivable	Asia outside Japan	—	—	—	—	—	1,111	1,111
Total		¥ 22,142	¥ 4,844	¥ 4,095	¥ 12,856	¥ 43,937	¥ 689,709	¥ 733,646

(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 June 30, and March 31, 2015, amounted to ¥587 million and ¥497 million, respectively.

Retail finance receivables in other areas, finance lease receivables in Japan and Asia outside Japan and long-term trade accounts receivable in Japan and Asia outside Japan are not placed on nonaccrual status, but these receivables are charged off against the allowance for doubtful accounts and credit losses when payments 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 three months ended June 30, 2015 and the year ended March 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 ¥6,808 million and ¥9,150 million at June 30, and March 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 service their debt. Since no negative factors in the borrowers' financial condition or collection status of receivables have been identified for the three months ended June 30, 2015 and the year ended March 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 three months ended June 30, 2015 and the year ended March 31, 2015.

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 a customer's ability to repay and collateral values. The allowance for smaller-balance homogeneous receivables is collectively evaluated using reserve rates, which are calculated depending on the period past due, reflecting the collection status of these receivables, historical credit loss experience, economic trends and other factors. Historical collection trends, as well as prevailing and anticipated economic conditions, are routinely monitored by management, and any required adjustment to the allowance is reflected in current operations. Loan receivables from affiliated companies are individually evaluated based on the relevant information, such as historical credit loss experience and economic trends and conditions.

When amounts due are determined to be uncollectible or the related collateral is repossessed, receivables and the related allowance are charged off. Repossessed assets are recorded at their estimated fair value less costs to sell and reported in other current assets on the consolidated balance sheets, which amounted to ¥197 million and ¥254 million at June 30, and March 31, 2015, respectively. Recoveries on receivables previously charged off as uncollectible 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 three months ended June 30, 2015:	Retail finance receivables	Finance lease receivables	Long-term trade accounts receivable	Total
Balance at beginning of year	¥ 608	¥ 16,947	¥ 369	¥ 17,924
Provision	229	1,471	38	1,738
Charge-offs	(196)	(324)	—	(520)
Recoveries	2	—	—	2
Other	13	(374)	—	(361)
Balance at end of period	¥ 656	¥ 17,720	¥ 407	¥ 18,783
Individually evaluated for impairment	147	—	330	477
Collectively evaluated for impairment	509	17,720	77	18,306
Recorded Investment at June 30, 2015:				
Balance at end of period	¥ 517,214	¥ 197,619	¥ 76,314	¥ 791,147
Individually evaluated for impairment	147	—	350	497
Collectively evaluated for impairment	517,067	197,619	75,964	790,650
Allowance for doubtful accounts and credit losses for the three months ended June 30, 2014:				
Balance at beginning of year	¥ 361	¥ 10,871	¥ 416	¥ 11,648
Provision (Reversal)	121	1,431	(1)	1,551
Charge-offs	(125)	(358)	—	(483)
Recoveries	2	—	—	2
Other	114	(180)	—	(66)
Balance at end of period	¥ 473	¥ 11,764	¥ 415	¥ 12,652
Individually evaluated for impairment	142	—	348	490
Collectively evaluated for impairment	331	11,764	67	12,162
Recorded Investment at June 30, 2014:				
Balance at end of period	¥ 380,833	¥ 157,651	¥ 73,732	¥ 612,216
Individually evaluated for impairment	142	—	379	521
Collectively evaluated for impairment	380,691	157,651	73,353	611,695

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 three months ended June 30, 2015 and 2014.

6. 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			Total
		Level 1	Level 2	Level 3	
At June 30, 2015:					
Financial assets:					
Finance receivables—net	¥ 516,558	¥ —	¥ 514,150	¥ —	¥ 514,150
Long-term trade accounts receivable	75,907	—	80,422	—	80,442
Financial liabilities:					
Long-term debt	(598,990)	—	(594,408)	—	(594,408)
At March 31, 2015:					
Financial assets:					
Finance receivables—net	¥ 469,030	¥ —	¥ 468,588	¥ —	¥ 468,588
Long-term trade accounts receivable	67,837	—	72,228	—	72,228
Financial liabilities:					
Long-term debt	(603,174)	—	(595,631)	—	(595,631)

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 approximate the fair value because of the short maturity of those instruments. The fair value measurements of these assets and liabilities are categorized into Level 2, except for cash which is categorized into Level 1. The carrying value and fair value of other investments and derivatives are disclosed in Note 7. FAIR VALUE MEASUREMENTS.

7. 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 June 30, 2015:				
Assets:				
Available-for-sale securities:				
Equity securities of financial institutions	¥ 65,139	¥ —	¥ —	¥ 65,139
Other equity securities	96,194	—	—	96,194
Derivatives:				
Foreign exchange contracts	—	147	—	147
Cross-currency swap contracts	—	960	—	960
Cross-currency interest rate swap contracts	—	5,773	—	5,773
Total assets	¥ 161,333	¥ 6,880	¥ —	¥ 168,213
Liabilities:				
Derivatives:				
Foreign exchange contracts	¥ —	¥ 1,224	¥ —	¥ 1,224
Interest rate swap contracts	—	23	—	23
Cross-currency interest rate swap contracts	—	26	—	26
Total liabilities	¥ —	¥ 1,273	¥ —	¥ 1,273
At March 31, 2015:				
Assets:				
Available-for-sale securities:				
Equity securities of financial institutions	¥ 56,031	¥ —	¥ —	¥ 56,031
Other equity securities	96,532	—	—	96,532
Derivatives:				
Foreign exchange contracts	—	801	—	801
Cross-currency swap contracts	—	1,102	—	1,102
Cross-currency interest rate swap contracts	—	3,164	—	3,164
Total assets	¥ 152,563	¥ 5,067	¥ —	¥ 157,630
Liabilities:				
Derivatives:				
Foreign exchange contracts	¥ —	¥ 411	¥ —	¥ 411
Interest rate swap contracts	—	25	—	25
Cross-currency interest rate swap contracts	—	668	—	668
Total liabilities	¥ —	¥ 1,104	¥ —	¥ 1,104

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 8. 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 three months ended June 30, 2015 and for the year ended March 31, 2015.

8. 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 rate exposures.

Cash Flow Hedges

The accounting treatments of changes in the fair value of foreign exchange contracts, interest rate swap contracts and cross-currency interest rate swap contracts depend on whether derivatives are designated as cash flow hedges. The effective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges are reported in accumulated other comprehensive income. As for foreign exchange contracts related to forecasted intercompany transactions, the amounts are subsequently reclassified into earnings when unrelated third party transactions occur. In the case of interest rate 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. The unrecognized net loss (net of tax) of approximately ¥12 million on derivatives included in accumulated other comprehensive income at June 30, 2015 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	
	June 30, 2015	March 31, 2015	June 30, 2015	March 31, 2015	June 30, 2015	March 31, 2015	June 30, 2015	March 31, 2015
Derivatives designated as hedging instruments:								
Interest rate swap contracts	¥ —	¥ —	¥ —	¥ —	¥ 18	¥ 16	¥ —	¥ —
Total derivatives designated as hedging instruments	¥ —	¥ —	¥ —	¥ —	¥ 18	¥ 16	¥ —	¥ —
Derivatives not designated as hedging instruments:								
Foreign exchange contracts	¥ 147	¥ 801	¥ —	¥ —	¥ 1,224	¥ 411	¥ —	¥ —
Cross-currency swap contracts	960	1,102	—	—	—	—	—	—
Interest rate swap contracts	—	—	—	—	5	9	—	—
Cross-currency interest rate swap contracts	3,919	2,179	1,854	985	7	169	19	499
Total derivatives not designated as hedging instruments	¥ 5,026	¥ 4,082	¥ 1,854	¥ 985	¥ 1,236	¥ 589	¥ 19	¥ 499
Total	¥ 5,026	¥ 4,082	¥ 1,854	¥ 985	¥ 1,254	¥ 605	¥ 19	¥ 499

The following table presents income effects of derivative instruments:

(¥ in millions)

For the three months ended June 30:	Gain (Loss) recognized in other comprehensive Income (loss) and realized in net Income, before tax	
	Effective portion recognized in other comprehensive income (loss)	Effective portion reclassified from accumulated other comprehensive income to net income
Derivative instruments in cash flow hedges	Consolidated statements of income line item	
2015:		
Interest rate swap contracts	¥ (9) Interest expense	¥ (7)
Total	¥ (9)	¥ (7)
2014:		
Interest rate swap contracts	¥ 6 Interest expense	¥ (7)
Total	¥ 6	¥ (7)

(¥ in millions)

For the three months ended June 30:	Gain (Loss) recognized in net Income, before tax	
Derivative instruments not designated as hedging instruments	Consolidated statements of income line item	Gain (Loss) recognized in net income
2015:		
Foreign exchange contracts	Foreign exchange gain (loss)—net	¥ (2,683)
Cross-currency swap contracts	Foreign exchange gain (loss)—net	491
Cross-currency interest rate swap contracts	Other—net	2,470
Total		¥ 278
2014:		
Foreign exchange contracts	Foreign exchange gain (loss)—net	¥ 1,170
Cross-currency swap contracts	Foreign exchange gain (loss)—net	(540)
Interest rate swap contracts	Other—net	(6)
Cross-currency interest rate swap contracts	Other—net	(614)
Total		¥ 10

The amount of gain or loss related to the hedging ineffectiveness was not material.

9. SECURED ASSETS

Secured assets are comprised of the following:

(¥ in millions)

	June 30, 2015	March 31, 2015
Trade accounts	234	287
Short-term finance receivables * ¹	46,690	48,211
Other current assets * ²	4,771	4,190
Long-term finance receivables * ¹	96,211	108,439
Property, plant, and equipment	2,108	1,857
Total	¥ 150,104	¥ 162,984

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

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

The above assets were secured against the following liabilities:

(¥ in millions)

	June 30, 2015	March 31, 2015
Short-term borrowings	¥ 489	¥ 554
Current portion of long-term debt	40,952	43,036
Long-term debt	85,389	96,575
Total	¥ 126,830	¥ 140,165

10. RETIREMENT AND PENSION PLANS

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

(¥ in millions)				
For the three months ended June 30:				
	2015		2014	
Service cost	¥	1,664	¥	1,695
Interest cost		634		713
Expected return on plan assets		(1,207)		(1,076)
Amortization of prior service benefit		(86)		(86)
Amortization of actuarial loss (gain)		(10)		124
Total	¥	995	¥	1,370

11. 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)				
For the three months ended June 30:				
	2015		2014	
Research and development expenses	¥	10,055	¥	9,477
Advertising costs		4,288		3,017
Shipping and handling costs		16,927		14,989
Depreciation and amortization		9,881		8,876

Other Operating Expenses

Other operating expenses—net for the three months ended June 30, 2015 included a loss from sales and disposals of fixed assets of ¥120 million.

Other operating expenses—net for the three months ended June 30, 2014 included a loss from sales and disposals of fixed assets of ¥178 million.

12. 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:

For the three months ended June 30:				
	2015		2014	
Net income attributable to Kubota Corporation (¥ in millions)		¥40,627		¥ 33,425
Weighted average number of shares (in thousands)		1,244,532		1,249,740

There are no potentially dilutive shares outstanding for the three months ended June 30, 2015 and 2014.

13. 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)

For the three months ended June 30:	2015			2014		
	Kubota Corporation	Non- controlling interests	Total	Kubota Corporation	Non- controlling interests	Total
Foreign currency translation adjustments	¥ 7,159	¥ (225)	¥ 6,934	¥ (6,923)	¥ (380)	¥ (7,303)
Unrealized gains on securities	6,270	(136)	6,134	2,621	(38)	2,583
Unrealized gains (losses) on derivatives	(2)	—	(2)	10	—	10
Pension liability adjustments	(218)	(13)	(231)	18	(1)	17
Other comprehensive income (loss)	¥ 13,209	¥ (374)	¥ 12,835	¥ (4,274)	¥ (419)	¥ (4,693)

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

(¥ in millions)

For the three months ended June 30:	Foreign currency translation adjustments	Unrealized gains on securities	Unrealized losses on derivatives	Pension liability adjustments	Total
2015:					
Balance at beginning of year	¥ 64,910	¥ 57,483	¥ (10)	¥ (11,020)	¥ 111,363
Other comprehensive income (loss) before reclassification	7,159	6,691	(7)	(166)	13,677
Reclassification to net income	—	(421)	5	(52)	(468)
Net change	7,159	6,270	(2)	(218)	13,209
Balance at end of period	¥ 72,069	¥ 63,753	¥ (12)	¥ (11,238)	¥ 124,572
2014:					
Balance at beginning of year	¥ 8,361	¥ 44,869	¥ (21)	¥ (14,213)	¥ 38,996
Other comprehensive income (loss) before reclassification	(6,923)	2,623	5	(7)	(4,302)
Reclassification to net income	—	(2)	5	25	28
Net change	(6,923)	2,621	10	18	(4,274)
Balance at end of period	¥ 1,483	¥ 47,490	¥ (11)	¥ (14,195)	¥ 34,722

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

(¥ in millions)

For the three months ended June 30:

	Amount reclassified from accumulated other comprehensive income	*1	Affected line item in the statement where net income is presented
2015:			
Unrealized gains on securities	¥ (629)		Gain on sales of securities—net
	208		Income taxes
	<u>(421)</u>		Net income attributable to Kubota Corporation
Unrealized gains (losses) on derivatives	7		Interest expense
	(2)		Income taxes
	<u>5</u>		Net income attributable to Kubota Corporation
Pension liability adjustments	(96)	*2	
	31		Income taxes
	<u>(65)</u>		Net income
	13		Net income attributable to non-controlling interests
	<u>(52)</u>		Net income attributable to Kubota Corporation
Total	¥ (468)		
2014:			
Unrealized gains on securities	¥ (3)		Gain on sales of securities—net
	1		Income taxes
	<u>(2)</u>		Net income attributable to Kubota Corporation
Unrealized gains (losses) on derivatives	7		Interest expense
	(2)		Income taxes
	<u>5</u>		Net income attributable to Kubota Corporation
Pension liability adjustments	38	*2	
	(14)		Income taxes
	<u>24</u>		Net income
	1		Net income attributable to non-controlling interests
	<u>25</u>		Net income attributable to Kubota Corporation
Total	¥ 28		

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

*2 Included in net periodic benefit costs (See Note 10. RETIREMENT AND PENSION PLANS).

14. 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 May 12, 2015	Common stock	Retained earnings	¥19,937	¥16.00	March 31, 2015	June 22, 2015

Dividends of which Record Date is in the Three Months Ended June 30, 2015 and of which Effective Date is after June 30, 2015

Not applicable

15. 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 four years. The maximum potential amount of undiscounted future payments of these financial guarantees at June 30, 2015 was ¥15,137 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 ¥25,377 million consisted mostly of 25 lawsuits, which concerned a total of 658 construction workers who suffered from asbestos-related diseases, and were filed against the Japanese government and 44 asbestos-related companies including the Company. The Company does not have any cost-sharing arrangements with other potentially responsible parties for these 25 lawsuits. The Company discloses the aggregate claimed amount of the above ¥25,377 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 major 25 lawsuits, three district courts ruled in favor of 44 asbestos-related companies including the Company, but the plaintiff appealed the court ruling right after the judgment. Since the above cases will be also continued until the ultimate outcome 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 in the past. 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 ¥218 million and ¥151 million at June 30, and March 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.

Segment Information

KUBOTA Corporation and its Subsidiaries

16. 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, 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 sales of 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.

Beginning with the first quarter of the current consolidated fiscal year, the amounts related to "electronic equipped machinery" are reported in the "Farm & Industrial Machinery" segment, whereas they were formerly reported in the "Water & Environment" segment, in conformity with the change in the business reporting structure of the Company. The segment information for the three months ended June 30, 2014 has been retrospectively adjusted to conform to the current year presentation.

Reporting Segments

Information by reporting segment is summarized as follows:

(¥ in millions)

For the three months ended June 30:	Farm & Industrial Machinery	Water & Environment	Other	Adjustments	Consolidated
2015:					
Revenues:					
External customers	¥ 352,024	¥ 53,473	¥ 6,594	¥ —	¥ 412,091
Intersegment	75	143	5,960	(6,178)	—
Total	352,099	53,616	12,554	(6,178)	412,091
Operating income	¥ 64,177	¥ 1,263	¥ 536	¥ (5,872)	¥ 60,104
2014:					
Revenues:					
External customers	¥ 307,353	¥ 46,939	¥ 6,433	¥ —	¥ 360,725
Intersegment	118	163	5,125	(5,406)	—
Total	307,471	47,102	11,558	(5,406)	360,725
Operating income	¥ 54,746	¥ 2,044	¥ 512	¥ (4,870)	¥ 52,432

(Notes)

1. "Adjustments" include the elimination of intersegment transfers and the unallocated corporate expenses.
2. The aggregated amounts of operating income are equal to those in the consolidated statements of income. Refer to the consolidated statements of income for the reconciliation of operating income to income before income taxes and equity in net income of affiliated companies.
3. Intersegment 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)

For the three months ended June 30:		2015	2014
Revenues from external customers by destination:			
Japan	¥	116,911	¥ 111,368
North America		127,099	112,431
Europe		56,832	58,150
Asia outside Japan		93,710	68,965
Other areas		17,539	9,811
Total	¥	412,091	¥ 360,725

(Notes)

1. Revenues from North America include those from the United States of ¥110,088 million and ¥97,291 million for the three months ended June 30, 2015 and 2014, respectively.
2. There is no single customer from whom revenues exceeds 10% of total consolidated revenues of the Company.

17. SUBSEQUENT EVENT

Not applicable

2. Other

On May 12, 2015, the Company's Board of Directors resolved to pay cash dividends as follows:

1) Shareholders to Be Paid Cash Dividends

Shareholders of record on March 31, 2015

2) Amount of Dividends

¥16.00 per common share, a total of ¥19,937 million

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

June 22, 2015

(Note) Partial amendments to the Article of Incorporation were resolved at the 125th Ordinary General Meeting of Shareholders held on June 19, 2015. The details are as follows:

- | | |
|--|-------------------------------|
| 1) Fiscal year: | From January 1 to December 31 |
| 2) Ordinary General Meeting of Shareholders: | During March |
| 3) Record date for Ordinary General Meeting of Shareholders: | December 31 |
| 4) Record date for dividend distribution of surplus: | June 30 and December 31 |

The 126th business term, a transitional period for the change in fiscal year-end, is a nine-month period commenced on April 1, 2015 and ending December 31, 2015. Regardless of 4), the record date of interim dividend for the 126th business term will be September 30, 2015.

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 11, 2015
[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 first quarter of 126th fiscal year (from April 1, 2015 to June 30, 2015) were adequate under the Financial Instruments and Exchange Act of Japan.

2. Special Notes

Not applicable