

[Translation]

Quarterly Report

(The Second Quarter of 127th Business Term)
From April 1, 2016 to June 30, 2016

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.

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)

	Six months ended June 30, 2016	Six months ended September 30, 2015	Nine months ended December 31, 2015
Revenues	¥ 796,136 [390,767]	¥ 811,085 [400,982]	¥ 1,244,775
Income before income taxes and equity in net income of affiliated companies	97,114	114,276	169,504
Net income attributable to Kubota Corporation	62,321 [25,968]	72,734 [33,481]	110,107
Comprehensive income (loss)	(47,532)	47,975	82,060
Kubota Corporation shareholders' equity	1,071,243	1,126,164	1,140,310
Total equity	1,134,990	1,201,714	1,218,558
Total assets	2,351,282	2,460,115	2,532,926
Net income attributable to Kubota Corporation per common share:			
Basic	50.09 [20.88]	58.44 [26.90]	88.47
Diluted	—	—	—
Kubota Corporation shareholders' equity ratio (%)	45.56	45.78	45.02
Net cash provided by operating activities	92,718	155,775	197,040
Net cash used in investing activities	(66,105)	(90,902)	(130,307)
Net cash provided by (used in) financing activities	18,333	(40,515)	(27,671)
Cash and cash equivalents, end of period	176,946	132,616	146,286

(Notes)

- The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").
- The figures of "Revenues," "Net income attributable to Kubota Corporation," and "Net income attributable to Kubota Corporation per common share—Basic" in square brackets are those for the three months ended June 30, 2016 and for the three months ended September 30, 2015, respectively.
- Revenues do not include consumption taxes.
- Amounts less than presentation units are rounded.
- "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.
- Kubota Corporation changed its fiscal year-end from March 31 to December 31, from the 126th business term. The same change in the fiscal year-end was made to subsidiaries in Japan that had fiscal year-ends other than December 31.
In addition, certain subsidiaries and an affiliated company aligned their reporting periods, which were previously consolidated using their own reporting periods, with that of Kubota Corporation. To reflect the impact of these changes, the Company has retrospectively adjusted the consolidated financial statements for the six months ended September 30, 2015 and for the three months ended September 30, 2015. The 126th business term was the nine-month period that commenced on April 1, 2015 and ended on December 31, 2015.
- Due to the change in the fiscal year-end, the second quarter of the 127th business term was the six-month period that commenced on January 1, 2016 and ended on June 30, 2016, whereas the second quarter of the 126th business term was the six-month period that commenced on April 1, 2015 and ended on September 30, 2015.
- The Company adopted a new accounting standard related to debt issuance costs on January 1, 2016. To reflect the impact of the adoption, the Company has retrospectively adjusted the consolidated financial statements for all periods presented.

2. Description of Business

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

2. Business Overview

1. Risk Factors

For the six months ended June 30, 2016, none of the events or facts described in “2. Business Overview” or “4. Financial Information” which may have a material influence on investor’s investment decisions were identified. There was no material change in the information described in the Risk Factors’ section of the Annual Securities Report for the nine months ended December 31, 2015.

In addition, any material concerns or events do not exist as of the filing date of this quarterly report.

2. Material Contracts

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

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

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

As described in “Alignment of Reporting Periods of Certain Affiliates” of “1. Summary of Significant Accounting Policies” of “Notes to Consolidated Financial Statements”, at the last consolidated fiscal year-end, certain subsidiaries and an affiliated company aligned their reporting periods, which were previously consolidated using their own reporting periods, with that of Kubota Corporation. Due to this alignment, the results of operations in the prior years have been retrospectively adjusted.

(1) Analyses of Results of Operations

For the six months ended June 30, 2016, revenues of the Company decreased by ¥57.8 billion (6.8%) from the same period in the prior year to ¥796.1 billion.

Domestic revenues decreased in all segments; Farm & Industrial Machinery; Water & Environment; and Other; by ¥13.1 billion (4.4%) from the same period in the prior year to ¥282.2 billion due to lower revenue in construction machinery, pumps, and etc.

Overseas revenues decreased by ¥44.7 billion (8.0%) from the same period in the prior year to ¥513.9 billion. In Farm & Industrial Machinery, revenues were down due to the negative impact of yen appreciation while sales of construction machinery rose. Revenues in Water & Environment also decreased mainly due to a decrease in sales of ductile iron pipes and industrial castings.

Operating income decreased by ¥9.7 billion (8.4%) from the same period in the prior year to ¥105.6 billion since a decrease in material costs and selling expenses could not compensate for the negative impact of yen appreciation. Income before income taxes and equity in net income of affiliated companies decreased by ¥20.2 billion (17.2%) from the same period in the prior year to ¥97.1 billion, mainly due to lower operating income and the negative impact of yen appreciation. Income taxes were ¥30.7 billion and net income decreased by ¥17.3 billion (20.5%) from the same period in the prior year to ¥67.1 billion. Net income attributable to Kubota Corporation decreased by ¥16.2 billion (20.6%) from the same period in the prior year to ¥62.3 billion.

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

1) Farm & Industrial Machinery

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

Revenues in this segment decreased by 5.9% from the same period in the prior year to ¥631.4 billion and accounted for 79.3% of consolidated revenues.

Domestic revenues decreased by 5.2% from the same period in the prior year to ¥143.4 billion. Sales of farm equipment and construction machinery decreased mainly due to the adverse reaction to the front-loaded demand caused by the strengthening of emission regulations last year.

Overseas revenues decreased by 6.0% from the same period in the prior year to ¥488.0 billion. In North America, revenues in construction machinery increased significantly due to favorable market demand and the full-scale entry of new products and the offsetting of lower sales in tractors caused by price decline in farming products. However, revenue in this area decreased in total mainly due to the negative impact of yen appreciation. In Europe, business operations remained strong due to higher sales of engines and construction machinery supported by the economic recovery, an expansion of sales in Turkey, and the full-scale entry of large-scale tractors. However, revenues slightly decreased from the same period in the prior year due to the negative impact of yen appreciation. As for Asia outside Japan, although sales of farm equipment in Myanmar and Indonesia significantly rose, sales of tractors in Thailand were stagnant due to water shortages caused by the severe drought. In China, sales in construction machinery decreased due to the effect of the strengthening of emission regulations and deceleration of the economy, while sales of tractors stayed strong. In addition, due to currency depreciation in emerging countries, revenues in this area as a whole decreased significantly.

Operating income in Farm & Industrial Machinery decreased by 7.7% from the same period in the prior year to ¥101.4 billion mainly due to the negative impact of yen appreciation and higher sales promotion expenses.

2) Water & Environment

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

Revenues in this segment decreased by 10.8% from the same period in the prior year to ¥149.9 billion, and accounted for 18.8% of consolidated revenues.

Domestic revenues decreased by 3.9% from the same period in the prior year to ¥124.1 billion. Revenues from pipe-related products decreased due to lower sales of pumps, plastic pipes, and valves. Revenues from social infrastructure-related products also decreased due to lower sales of spiral-welded steel pipes. Revenues from environment-related products increased as higher sales of operation and maintenance business of facilities exceeded a decrease in sales of waste water treatment equipment and plants.

Overseas revenues decreased by 33.8% from the same period in the prior year to ¥25.7 billion. Revenues from pipe-related products significantly decreased mainly due to a drop in shipments of ductile iron pipes for large-scale projects. Revenues from social infrastructure-related products also decreased due to lower sales of industrial castings. Revenues from environment-related products increased from the same period in the prior year due to higher sales of membrane systems and water & environment plant business, such as water & gas treatment facilities.

Operating income in Water & Environment decreased by 14.4% from the same period in the prior year to ¥13.7 billion mainly due to the impact of lower revenues.

3) Other

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

Revenues in this segment decreased by 2.6% from the same period in the prior year to ¥14.9 billion, and accounted for 1.9% of consolidated revenues.

Operating income in Other decreased by 6.5% from the same period in the prior year to ¥1.9 billion.

(2) Analyses of Financial Condition

Total assets at June 30, 2016 amounted to ¥2,351.3 billion, a decrease of ¥181.6 billion from the prior fiscal year-end. Among assets, the yen value of assets denominated in foreign currencies, such as short- and long-term finance receivables, and notes and accounts receivable, decreased substantially due to the negative impact of sharp yen appreciation compared to the prior fiscal year-end.

Among liabilities, trade notes payable and trade accounts payable significantly decreased. In addition, the aggregated amount of interest-bearing debt, which is composed of short-term borrowings, the current portion of long-term debt, and long-term debt, decreased due to the result of yen conversion effected by yen appreciation. Although retained earnings have increased, equity decreased due to the deterioration of accumulated other

comprehensive income (loss) resulting from fluctuations in exchange rates and stock prices. The shareholders' equity ratio was 45.6 %, 0.6 percentage points higher than at the prior fiscal year-end.

(3) Analyses of Cash Flows

Net cash provided by operating activities for the six months ended June 30, 2016 was ¥92.7 billion, a decrease of ¥19.0 billion in cash inflow from the same period in the prior year. This decrease resulted from a decline in net income as well as the changes in working capital, including notes and accounts receivable, inventories, and trade notes and accounts payable.

Net cash used in investing activities was ¥66.1 billion, an increase of ¥12.2 billion in cash outflow from the same period in the prior year. This increase was due to a decrease in proceeds from sales of property, plant, and equipment.

Net cash provided by financing activities was ¥18.3 billion, mainly due to increased fund procurement as compared to ¥51.0 billion of net cash outflow for the same period in the prior year.

As a result of the above, and after taking into account the effects of exchange rate changes, cash and cash equivalents at June 30, 2016 were ¥176.9 billion, an increase of ¥30.7 billion from the beginning of the current fiscal year.

(4) Issues to Address on Business and Finance

There was no material change in the issues for the Company to address and challenge for the six months ended June 30, 2016. Also, no additional issues arose.

(5) Research and Development

The Company's research and development expenses for the six months ended June 30, 2016 were ¥20.5 billion.

There was no material change in the Company's research and development activities for the six months ended June 30, 2016.

(6) Major Property, Plant, and Equipment

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

Company name Facility (Location)	Reporting segment	Description	Estimated amount of expenditures		Schedule	
			Total amount of expenditures (millions of RMB)	Amount already paid (millions of RMB)	Commenced	To be completed
Kubota Agricultural Machinery (SUZHOU) Co., Ltd. (Jiangsu, CHINA)	Farm & Industrial Machinery	Building of new facilities to increase production of tractors and combine harvesters	297	—	January 2016	November 2017

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, 2016)	Number of shares issued as of filing date (shares) (August 9, 2016)	Stock exchange on which Kubota Corporation is listed	Description
Common shares	1,244,919,180	1,244,919,180	Tokyo Stock Exchange, Inc. (the first section)	The number of shares per one unit of shares is 100 shares.
Total	1,244,919,180	1,244,919,180	—	—

(2) Information on Share Acquisition Rights

Not applicable

(3) Information on Moving Strike Convertible Bonds

Not applicable

(4) Information on Shareholder Right Plans

Not applicable

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

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

(6) Major Shareholders

(As of June 30, 2016)

Name	Address	Share ownership (thousands of shares)	Ownership percentage to the total number of issued shares (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	11-3, Hamamatsu-cho 2-chome, Minato-ku Tokyo, JAPAN	113,574	9.12
Nippon Life Insurance Company	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo, JAPAN	62,542	5.02
Japan Trustee Services Bank, Ltd. (Trust account)	8-11, Harumi 1-chome, Chuo-ku, Tokyo, JAPAN	61,392	4.93
Meiji Yasuda Life Insurance Company	1-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo, JAPAN	59,929	4.81
Sumitomo Mitsui Banking Corporation	1-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo, JAPAN	45,006	3.61
Mizuho Bank, Ltd.	5-5, Otemachi 1-chome, Chiyoda-ku, Tokyo, JAPAN	45,006	3.61

GIC Private Limited (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch, Custody and Clearing Services Department)	168 Robinson Road #37-01 Capital Tower Singapore 068912 (11-1, Nihonbashi 3-chome, Chuo-ku, Tokyo, JAPAN)	25,620	2.05
Japan Trustee Services Bank, Ltd. (Mitsui Sumitomo Trust and Banking Co., Ltd. Retirement benefit trust account)	8-11, Harumi 1-chome, Chuo-ku, Tokyo, JAPAN	19,582	1.57
Moxley & Co. LLC (Standing proxy: Sumitomo Mitsui Banking Corporation)	270 Park Avenue, New York, N.Y. 10017-2070 U.S.A. (3-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo, JAPAN)	18,535	1.48
Bank of Tokyo-Mitsubishi UFJ, Ltd.	7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo, JAPAN	18,156	1.45
Total	—	469,344	37.70

(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."
- The shares held by The Master Trust Bank of Japan, Ltd. (Trust account), Japan Trustee Services Bank, Ltd. (Trust account), and Japan Trustee Services Bank, Ltd. (Mitsui Sumitomo Trust and Banking Co., Ltd. Retirement benefit trust account) are invested as their fiduciary services.
- Kubota Corporation received copies of change reports pertaining to large shareholding reports from Mizuho Bank, Ltd. dated May 22, 2014. However, the information in the report is not stated in the above table since Kubota Corporation has not confirmed the actual status of shareholdings as of June 30, 2016, except that of Mizuho Bank, Ltd. A summary of the reports as of May 15, 2014 is as follows:

Name	Share ownership (thousands of shares)	Ownership percentage to the total number of issued shares (%)
Mizuho Bank, Ltd.	45,006	3.60
Mizuho Securities Co., Ltd.	1,277	0.10
Mizuho Trust & Banking Co., Ltd.	20,205	1.62
Shinko Asset Management Co, Ltd.	1,905	0.15
Total	68,393	5.47

- Change reports pertaining to large shareholding reports by Nippon Life Insurance Company dated November 9, 2015, are available for public inspection. However, the information in the reports is not stated in the above table since Kubota Corporation has not confirmed the actual status of shareholdings as of June 30, 2016, except that of Nippon Life Insurance Company. A summary of the reports as of October 30, 2015 is as follows:

Name	Share ownership (thousands of shares)	Ownership percentage to the total number of issued shares (%)
Nippon Life Insurance Company	65,124	5.23
Nissay Asset Management Corporation	15,268	1.23
Total	80,392	6.45

- Large shareholding reports by BlackRock Japan Co., Ltd. dated November 19, 2015, are available for public inspection. However, the information in the reports is not stated in the above table since Kubota Corporation has not confirmed the actual status of shareholdings as of June 30, 2016. A summary of the reports as of November 13, 2015 is as follows:

Name	Share ownership (thousands of shares)	Ownership percentage to the total number of issued shares (%)
BlackRock Japan Co., Ltd.	14,825	1.19
BlackRock Advisers, LLC	3,489	0.28
BlackRock Investment Management LLC	1,532	0.12
BlackRock (Luxembourg) S.A.	1,454	0.12
BlackRock Life Limited	2,780	0.22
BlackRock Asset Management Ireland Limited	5,510	0.44
BlackRock Fund Advisors	15,101	1.21
BlackRock Institutional Trust Company, N.A.	15,751	1.26
BlackRock Investment Management (UK) Limited	1,936	0.16
Total	62,381	5.01

6. Change reports pertaining to large shareholding reports by Sumitomo Mitsui Trust Bank, Limited dated June 6, 2016, are available for public inspection. However, the information in the reports is not stated in the above table since Kubota Corporation has not confirmed the actual status of shareholdings as of June 30, 2016. A summary of the reports as of May 31, 2016 is as follows:

Name	Share ownership (thousands of shares)	Ownership percentage to the total number of issued shares (%)
Sumitomo Mitsui Trust Bank, Limited	58,524	4.70
Sumitomo Mitsui Trust Asset Management Co., Ltd.	2,107	0.17
Nikko Asset Management Co., Ltd.	18,168	1.46
Total	78,800	6.33

(7) Information on Voting Rights

1) Issued Shares

(As of June 30, 2016)

Classification		Number of shares (shares)	Number of voting rights	Description
Shares without voting rights		—	—	—
Shares with restricted voting rights (treasury stock, etc.)		—	—	—
Shares with restricted voting rights (others)		—	—	—
Shares with full voting rights (treasury stock, etc.)	(Treasury stock)		—	—
	Common shares:	1,311,500		
	(Crossholding stock)			
	Common shares:	829,700		
Shares with full voting rights (others)	Common shares:	1,242,511,500	12,425,115	—
Shares less than one unit	Common shares:	266,480	—	Shares less than one unit (100 shares)
Number of issued shares		1,244,919,180	—	—
Total number of voting rights		—	12,425,115	—

(Notes)

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

2) Treasury Stock

(As of June 30, 2016)

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

2. Changes in Directors and Senior Management

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

Changes in positions and responsibilities of senior managements

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

(Reference Information)

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

Changes in positions and responsibilities of senior managements

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

4. Financial Information

1. Consolidated Financial Statements

KUBOTA Corporation and its Subsidiaries

(1) Consolidated Balance Sheets

(¥ in millions)

	June 30, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	¥ 176,946	¥ 146,286
Notes and accounts receivable:		
Trade notes	61,231	78,928
Trade accounts	489,655	551,905
Less: Allowance for doubtful notes and accounts receivable	(2,749)	(3,216)
Short-term finance receivables—net	201,487	224,058
Inventories	330,589	356,441
Other current assets	140,445	136,444
Total current assets	1,397,604	1,490,846
Investments and long-term finance receivables:		
Investments in and loan receivables from affiliated companies	26,883	26,416
Other investments	113,681	139,636
Long-term finance receivables—net	433,900	482,482
Total investments and long-term finance receivables	574,464	648,534
Property, plant, and equipment:		
Land	80,188	81,915
Buildings	264,218	268,965
Machinery and equipment	456,724	465,425
Construction in progress	13,518	11,252
Total	814,648	827,557
Less: Accumulated depreciation	(540,333)	(541,687)
Net property, plant, and equipment	274,315	285,870
Other assets:		
Goodwill and intangible assets—net	25,810	29,430
Long-term trade accounts receivable	39,762	36,758
Other	40,068	42,287
Less: Allowance for doubtful non-current receivables	(741)	(799)
Total other assets	104,899	107,676
Total assets	¥ 2,351,282	¥ 2,532,926

(¥ in millions)

	June 30, 2016	December 31, 2015
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term borrowings	¥ 188,373	¥ 186,216
Trade notes payable	121,081	157,165
Trade accounts payable	95,940	103,169
Advances received from customers	6,371	7,475
Notes and accounts payable for capital expenditures	15,205	15,470
Accrued payroll costs	32,935	33,099
Accrued expenses	53,289	61,494
Income taxes payable	16,729	5,544
Other current liabilities	76,681	80,152
Current portion of long-term debt	157,360	158,117
Total current liabilities	763,964	807,901
Long-term liabilities:		
Long-term debt	382,316	424,370
Accrued retirement and pension costs	11,185	12,148
Other long-term liabilities	58,827	69,949
Total long-term liabilities	452,328	506,467
Commitments and contingencies		
Equity:		
Kubota Corporation shareholders' equity:		
Common stock, authorized 1,874,700,000 shares and issued 1,244,919,180 shares at June 30, 2016 and December 31, 2015	84,070	84,070
Capital surplus	84,909	87,838
Legal reserve	19,539	19,539
Retained earnings	914,662	869,769
Accumulated other comprehensive income (loss)	(29,713)	79,292
Treasury stock (1,702,337 shares and 415,635 shares at June 30, 2016 and December 31, 2015, respectively), at cost	(2,224)	(198)
Total Kubota Corporation shareholders' equity	1,071,243	1,140,310
Non-controlling interests	63,747	78,248
Total equity	1,134,990	1,218,558
Total liabilities and equity	¥ 2,351,282	¥ 2,532,926

See notes to consolidated financial statements.

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income (Loss)
For the six months ended June 30, 2016 and the six months ended September 30, 2015

Consolidated Statements of Income

(¥ in millions, except per share amounts)

	2016		2015	
Revenues	¥	796,136	¥	811,085
Cost of revenues		554,551		553,981
Selling, general, and administrative expenses		135,296		141,283
Other operating expenses — net		709		2,192
Operating income		105,580		113,629
Other income (expenses):				
Interest and dividend income		3,216		3,476
Interest expense		(270)		(390)
Gain on sales of securities—net		931		1,401
Foreign exchange loss—net		(9,551)		(13,975)
Other—net		(2,792)		10,135
Other income (expenses)—net		(8,466)		647
Income before income taxes and equity in net income of affiliated companies		97,114		114,276
Income taxes:				
Current		29,175		32,642
Deferred		1,546		4,970
Total income taxes		30,721		37,612
Equity in net income of affiliated companies		750		1,271
Net income		67,143		77,935
Less: Net income attributable to non-controlling interests		4,822		5,201
Net income attributable to Kubota Corporation	¥	62,321	¥	72,734
Net income attributable to Kubota Corporation per common share:				
Basic	¥	50.09	¥	58.44

Consolidated Statements of Comprehensive Income (Loss)

(¥ in millions)

	2016		2015	
Net income	¥	67,143	¥	77,935
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments		(97,337)		(17,926)
Unrealized losses on securities		(17,275)		(11,839)
Unrealized gains on derivatives		—		10
Pension liability adjustments		(63)		(205)
Total other comprehensive loss		(114,675)		(29,960)
Comprehensive income (loss)		(47,532)		47,975
Less: Comprehensive loss attributable to non-controlling interests		(1,116)		(491)
Comprehensive income (loss) attributable to Kubota Corporation	¥	(46,416)	¥	48,466

See notes to consolidated financial statements.

For the three months ended June 30, 2016 and the three months ended September 30, 2015

Consolidated Statements of Income

(¥ in millions, except per share amounts)

	2016	2015
Revenues	¥ 390,767	¥ 400,982
Cost of revenues	276,075	271,111
Selling, general, and administrative expenses	65,971	73,464
Other operating expenses—net	593	2,075
Operating income	48,128	54,332
Other income (expenses):		
Interest and dividend income	2,242	1,160
Interest expense	(105)	(117)
Gain on sales of securities—net	618	772
Foreign exchange loss—net	(8,275)	(12,321)
Other—net	173	7,688
Other income (expenses)—net	(5,347)	(2,818)
Income before income taxes and equity in net income of affiliated companies	42,781	51,514
Income taxes:		
Current	9,508	19,103
Deferred	5,668	(2,655)
Total income taxes	15,176	16,448
Equity in net income of affiliated companies	736	593
Net income	28,341	35,659
Less: Net income attributable to non-controlling interests	2,373	2,178
Net income attributable to Kubota Corporation	¥ 25,968	¥ 33,481
Net income attributable to Kubota Corporation per common share:		
Basic	¥ 20.88	¥ 26.90

Consolidated Statements of Comprehensive Income (Loss)

(¥ in millions)

	2016	2015
Net income	¥ 28,341	¥ 35,659
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	(61,362)	(28,406)
Unrealized losses on securities	(6,165)	(17,973)
Unrealized gains on derivatives	—	12
Pension liability adjustments	262	204
Total other comprehensive loss	(67,265)	(46,163)
Comprehensive loss	(38,924)	(10,504)
Less: Comprehensive loss attributable to non-controlling interests	(2,186)	(3,140)
Comprehensive loss attributable to Kubota Corporation	¥ (36,738)	¥ (7,364)

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 December 31, 2015	1,244,504	¥ 84,070	¥ 87,838	¥ 19,539	¥ 869,769	¥ 79,292	¥ (198)	¥ 78,248	¥ 1,218,558
Net income					62,321			4,822	67,143
Other comprehensive loss						(108,737)		(5,938)	(114,675)
Cash dividends paid to Kubota Corporation shareholders (¥14.00 per common share)					(17,428)				(17,428)
Cash dividends paid to non-controlling interests								(2,316)	(2,316)
Purchases and sales of treasury stock	(1,287)						(2,026)		(2,026)
Changes in ownership interests in subsidiaries			(2,929)			(268)		(11,069)	(14,266)
Balance at June 30, 2016	1,243,217	¥ 84,070	¥ 84,909	¥ 19,539	¥ 914,662	¥ (29,713)	¥ (2,224)	¥ 63,747	¥ 1,134,990
Balance at March 31, 2015	1,245,700	¥ 84,070	¥ 87,880	¥ 19,539	¥ 799,545	¥ 109,446	¥ (401)	¥ 78,387	¥ 1,178,466
Net income					72,734			5,201	77,935
Other comprehensive loss						(24,268)		(5,692)	(29,960)
Cash dividends paid to Kubota Corporation shareholders (¥16.00 per common share)					(19,937)				(19,937)
Cash dividends paid to non-controlling interests								(1,818)	(1,818)
Purchases and sales of treasury stock	(1,182)						(2,287)		(2,287)
Changes in ownership interests in subsidiaries			(71)			(86)		(528)	(685)
Balance at September 30, 2015	1,244,518	¥ 84,070	¥ 87,809	¥ 19,539	¥ 852,342	¥ 85,092	¥ (2,688)	¥ 75,550	¥ 1,201,714

See notes to consolidated financial statements.

(4) Consolidated Statements of Cash Flows
For the six months ended June 30, 2016 and the six months ended September 30, 2015

(¥ in millions)

	2016	2015
Operating activities:		
Net income	¥ 67,143	¥ 77,935
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	19,900	20,128
Gain on sales of securities—net	(931)	(1,401)
Impairment loss on long-lived assets	–	1,892
Equity in net income of affiliated companies	(750)	(1,271)
Deferred income taxes	1,546	4,970
Changes in assets and liabilities:		
Decrease in notes and accounts receivable	38,599	96,891
Increase in inventories	(10,723)	(32,566)
Increase in other current assets	(6,347)	(14,435)
Increase (decrease) in trade notes and accounts payable	(32,804)	3,383
Increase (decrease) in income taxes payable	12,251	(665)
Increase (decrease) in other current liabilities	2,866	(316)
Decrease in accrued retirement and pension costs	(1,045)	(5,308)
Other	3,013	6,538
Net cash provided by operating activities	92,718	155,775
Investing activities:		
Purchases of fixed assets	(23,954)	(24,740)
Proceeds from sales of property, plant, and equipment	361	286
Proceeds from sales and redemption of investments	1,544	2,031
Increase in finance receivables	(182,481)	(210,863)
Collection of finance receivables	154,072	143,927
Net decrease in short-term loan receivables from affiliated companies	3,022	2,338
Net increase in time deposits	(19,595)	(3,168)
Other	926	(713)
Net cash used in investing activities	(66,105)	(90,902)
Financing activities:		
Proceeds from issuance of long-term debt	103,162	35,568
Repayments of long-term debt	(80,467)	(52,869)
Net increase in short-term borrowings	32,040	786
Payments of cash dividends	(17,428)	(19,937)
Purchases of treasury stock	(2,026)	(2,287)
Purchases of non-controlling interests	(14,632)	–
Other	(2,316)	(1,776)
Net cash provided by (used in) financing activities	18,333	(40,515)
Effect of exchange rate changes on cash and cash equivalents	(14,286)	(4,170)
Net increase in cash and cash equivalents	30,660	20,188
Cash and cash equivalents, beginning of period	146,286	112,428
Cash and cash equivalents, end of period	¥ 176,946	¥ 132,616

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

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

Basis of Financial Statements

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

Change in Fiscal Year-end

The Company changed its fiscal year-end from March 31 to December 31 from the last consolidated fiscal year by the resolution of a partial amendment to the Articles of Incorporation at the Ordinary General Meeting of Shareholders held on June 19, 2015. Accordingly, the second quarter of the 127th business term was the six-month period that commenced on January 1, 2016 and ended on June 30, 2016, whereas the second quarter of the 126th business term was the six-month period that commenced on April 1, 2015 and ended on September 30, 2015.

Alignment of Reporting Periods of Certain Affiliates

At the last consolidated fiscal year-end, certain subsidiaries and an affiliated company (as of December 31, 2015, 36 subsidiaries and one affiliated company) aligned their reporting periods, which were previously consolidated using their own reporting periods, with that of the Parent Company. To reflect the impact of these changes, the Company has retrospectively adjusted the consolidated financial statements for all periods presented.

With these retrospective adjustments, the amounts of retained earnings at the beginning of the nine months ended December 31, 2015 were adjusted from ¥798,547 million to ¥799,545 million.

The following table presents the effects of retrospective adjustments for the six months ended September 30, 2015 and for the three months ended September 30, 2015:

(¥ in millions, except per share amounts)

	Six months ended September 30, 2015	
	Before retrospective adjustments	After retrospective adjustments
Consolidated Statements of Income:		
Net income	¥ 80,923	¥ 77,935
Net income attributable to Kubota Corporation	75,713	72,734
Consolidated Statements of Cash Flows:		
Net cash provided by operating activities	¥ 152,661	¥ 155,775
Net cash used in investing activities	(90,678)	(90,902)
Net cash used in financing activities	(39,218)	(40,515)
Cash and cash equivalents, end of period	132,859	132,616
Net income attributable to Kubota Corporation per common share:		
Basic	¥ 60.84	¥ 58.44
	Three months ended September 30, 2015	
	Before retrospective adjustments	After retrospective adjustments
Consolidated Statements of Income:		
Net income	¥ 37,285	¥ 35,659
Net income attributable to Kubota Corporation	35,086	33,481
Net income attributable to Kubota Corporation per common share:		
Basic	¥ 28.19	¥ 26.90

Changes in Accounting Policies

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

Adoption of Specific Accounting Procedures for Quarterly Consolidated Financial Statements

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

2. INVENTORIES

Inventories are comprised of the following:

(¥ in millions)		
	June 30, 2016	December 31, 2015
Finished products	¥ 208,732	¥ 219,860
Spare parts	38,800	42,148
Work in process	41,733	52,482
Raw materials and supplies	41,324	41,951
	¥ 330,589	¥ 356,441

3. OTHER INVESTMENTS

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

(¥ in millions)								
	June 30, 2016				December 31, 2015			
	Cost	Fair value	Gross unrealized holding gains	Gross unrealized holding losses	Cost	Fair value	Gross unrealized holding gains	Gross unrealized holding losses
Other investments:								
Available-for-sale securities:								
Equity securities of financial institutions	¥ 21,409	¥ 36,348	¥ 14,977	¥ 38	¥ 21,408	¥ 55,170	¥ 33,762	¥ —
Other equity securities	15,673	73,657	57,994	10	16,242	80,813	64,572	1
	¥ 37,082	¥ 110,005	¥ 72,971	¥ 48	¥ 37,650	¥ 135,983	¥ 98,334	¥ 1

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

(¥ in millions)								
	June 30, 2016				December 31, 2015			
	Less than 12 months		12 months or longer		Less than 12 months		12 months or longer	
	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses
Other investments:								
Available-for-sale securities:								
Equity securities of financial institutions	¥ 131	¥ 38	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Other equity securities	73	10	—	—	81	1	—	—
	¥ 204	¥ 48	¥ —	¥ —	¥ 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)

	Six months ended June 30, 2016	Six months ended September 30, 2015
Proceeds from sales of available-for-sale securities	¥ 1,505	¥ 1,983
Gross realized gains	931	1,401
Gross realized losses	—	—

(¥ in millions)

	Three months ended June 30, 2016	Three months ended September 30, 2015
Proceeds from sales of available-for-sale securities	¥ 1,088	¥ 1,125
Gross realized gains	618	772
Gross realized losses	—	—

Investments in nonmarketable equity securities of ¥3,676 million and ¥3,653 million were recorded in other investments on the consolidated balance sheets at June 30, 2016 and December 31, 2015, respectively. 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 in the aggregate of lease payments receivable plus the estimated residual value of the leased property, less unearned income and allowance for credit losses. There was no unguaranteed residual value related to finance leases at June 30, 2016.

(3) Long-term trade accounts receivable

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

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

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

(Credit Quality Indicator)

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

- Rank A – These receivables are collected on schedule under their terms. They are not likely to incur losses arising from customers' inability to repay and the Company expects to collect all amounts due.
- Rank B – These receivables require management's attention to potential losses, but are not categorized as rank C. Such receivables do not individually indicate that it is probable that losses will be incurred arising from customers' inability to repay.
- Rank C – The Company becomes aware of a customer's inability to repay, such as a customer's long-term nonperformance, a bankruptcy filing, or deterioration in a customer's results of operations or financial position. In such cases, it is probable that losses will be incurred arising from 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
At June 30, 2016:					
Rank A	¥ 450,412	¥ 15,772	¥ 8,718	¥ 133,046	¥ 74,204
Rank B	23,606	—	206	22,480	1,927
Rank C	81	23	—	—	52
Total	¥ 474,099	¥ 15,795	¥ 8,924	¥ 155,526	¥ 76,183
At December 31, 2015:					
Rank A	¥ 492,952	¥ 16,736	¥ 8,157	¥ 155,946	¥ 67,690
Rank B	25,345	—	80	26,841	1,120
Rank C	94	26	—	—	49
Total	¥ 518,391	¥ 16,762	¥ 8,237	¥ 182,787	¥ 68,859

(Aging)

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

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

(¥ in millions)

Type of receivables	Region	Up to 30 days past due	31-60 days past due	61-90 days past due	Greater than 90 days past due	Total past due	Current	Total
At June 30, 2016:								
Retail finance receivables	North America	¥ 21,172	¥ 1,389	¥ 526	¥ 600	¥ 23,687	¥ 450,412	¥ 474,099
Retail finance receivables	Other areas	—	—	23	—	23	15,772	15,795
Finance lease receivables	Japan	50	19	1	122	192	8,732	8,924
Finance lease receivables	Asia outside Japan	2,327	4,076	2,783	13,167	22,353	133,173	155,526
Long-term trade accounts receivable	Japan	443	205	69	999	1,716	74,467	76,183
Total		¥ 23,992	¥ 5,689	¥ 3,402	¥ 14,888	¥ 47,971	¥ 682,556	¥ 730,527
At December 31, 2015:								
Retail finance receivables	North America	¥ 22,857	¥ 1,421	¥ 446	¥ 715	¥ 25,439	¥ 492,952	¥ 518,391
Retail finance receivables	Other areas	—	26	—	—	26	16,736	16,762
Finance lease receivables	Japan	2	1	9	54	66	8,171	8,237
Finance lease receivables	Asia outside Japan	7,561	3,356	2,074	13,701	26,692	156,095	182,787
Long-term trade accounts receivable	Japan	37	11	111	767	926	67,933	68,859
Total		¥ 30,457	¥ 4,815	¥ 2,640	¥ 15,237	¥ 53,149	¥ 741,887	¥ 795,036

(Nonaccrual)

Retail finance receivables in North America are placed on nonaccrual status at the earlier of when the contractual principal and interest are determined to be uncollectible or when these receivables become greater than 90 days past the contractual due date. For these receivables on the nonaccrual status, interest income is subsequently recognized only to the extent a cash payment is received. These receivables are restored to accrual status as of the date the principal and interest become 90 days or less past the contractual due date. Nonaccrual retail finance receivables at June 30, 2016 and December 31, 2015, amounted to ¥600 million and ¥715 million, respectively.

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

(Troubled Debt Restructuring and Impaired Loans)

The amounts of debts restructured or impaired loans were not material for the six months ended June 30, 2016 and the nine months ended December 31, 2015.

Loan Receivables from Affiliated Companies

The Company finances loans to affiliated companies mainly through group financing and records such loan receivables from affiliated companies at the principal on the consolidated balance sheets. The amounts of these loan receivables from affiliated companies were ¥4,582 million and ¥7,607 million at June 30, 2016 and December 31, 2015, respectively, and such amounts are recorded in other current assets and investments in and loan receivables from affiliated companies on the consolidated balance sheets. These loans are financings provided to the affiliated companies which sell farm equipment products in Japan, and historically both the principal and interest have been fully collected by the contractual due date. The Company reviews the credit quality of these loan receivables based on relevant information about the ability of borrowers to repay their debt. Since no negative factors in the borrowers' financial condition or collection status of receivables have been identified for the six months ended June 30, 2016 and the nine months ended December 31, 2015, these loan receivables are expected to be fully collectible by the Company. The credit risk of these loan receivables is primarily developed from the borrowers' business environment such as market demand of farm equipment products.

Other Receivables

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

5. ALLOWANCE FOR DOUBTFUL ACCOUNTS AND CREDIT LOSSES

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

The allowance for doubtful accounts and credit losses on receivables which will probably not be collected is maintained at a level that is adequate to cover probable losses based on a combination of various factors, such as 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 ¥373 million and ¥389 million at June 30, 2016 and December 31, 2015, respectively. Recoveries on receivables previously charged off as uncollectable are credited to the allowance for doubtful accounts and credit losses.

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

(¥ in millions)

Allowance for doubtful accounts and credit losses for the six months ended June 30, 2016:	Retail finance receivables	Finance lease receivables	Long-term trade accounts receivable	Total
Balance at beginning of period	¥ 692	¥ 18,945	¥ 340	¥ 19,977
Provision	607	2,478	19	3,104
Charge-offs	(559)	(653)	—	(1,212)
Recoveries	9	—	—	9
Other	(102)	(2,460)	—	(2,562)
Balance at end of period	¥ 647	¥ 18,310	¥ 359	¥ 19,316
Individually evaluated for impairment	104	—	52	156
Collectively evaluated for impairment	543	18,310	307	19,160
Recorded Investment at June 30, 2016:				
Balance at end of period	¥ 489,894	¥ 164,450	¥ 76,183	¥ 730,527
Individually evaluated for impairment	104	—	52	156
Collectively evaluated for impairment	489,790	164,450	76,131	730,371

Allowance for doubtful accounts and credit losses for the three months ended June 30, 2016:

Balance at beginning of period	¥ 652	¥ 19,102	¥ 360	¥ 20,114
Provision (Reversal)	297	1,253	(1)	1,549
Charge-offs	(242)	(454)	—	(696)
Recoveries	4	—	—	4
Other	(64)	(1,591)	—	(1,655)
Balance at end of period	¥ 647	¥ 18,310	¥ 359	¥ 19,316

(¥ in millions)

Allowance for doubtful accounts and credit losses for the six months ended September 30, 2015:	Retail finance receivables	Finance lease receivables	Long-term trade accounts receivable	Total
Balance at beginning of period	¥ 608	¥ 16,947	¥ 369	¥ 17,924
Provision	513	2,818	239	3,570
Charge-offs	(417)	(571)	—	(988)
Recoveries	2	—	—	2
Other	(12)	(2,043)	(6)	(2,061)
Balance at end of period	¥ 694	¥ 17,151	¥ 602	¥ 18,447
Individually evaluated for impairment	141	—	523	664
Collectively evaluated for impairment	553	17,151	79	17,783
Recorded Investment at September 30, 2015:				
Balance at end of period	¥ 523,101	¥ 182,664	¥ 81,300	¥ 787,065
Individually evaluated for impairment	141	—	629	770
Collectively evaluated for impairment	522,960	182,664	80,671	786,295

Allowance for doubtful accounts and credit losses for the three months ended September 30, 2015:

Balance at beginning of period	¥ 656	¥ 17,720	¥ 407	¥ 18,783
Provision	284	1,347	201	1,832
Charge-offs	(221)	(247)	—	(468)
Recoveries	—	—	—	—
Other	(25)	(1,669)	(6)	(1,700)
Balance at end of period	¥ 694	¥ 17,151	¥ 602	¥ 18,447

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 six months ended June 30, 2016 and the six months ended September 30, 2015.

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, 2016:					
Financial assets:					
Finance receivables—net	¥ 489,247	¥ —	¥ 488,494	¥ —	¥ 488,494
Long-term trade accounts receivable	75,824	—	81,150	—	81,150
Financial liabilities:					
Long-term debt	(537,545)	—	(543,816)	—	(543,816)
At December 31, 2015:					
Financial assets:					
Finance receivables—net	¥ 534,461	¥ —	¥ 528,410	¥ —	¥ 528,410
Long-term trade accounts receivable	68,519	—	73,419	—	73,419
Financial liabilities:					
Long-term debt	(579,783)	—	(565,606)	—	(565,606)

The fair value of finance receivables, long-term trade accounts receivable, and long-term debt is recorded at the amounts based on discounted cash flows using the current market rate. The carrying value of finance receivables—net in the table excludes finance leases. Long-term trade accounts receivable in the table includes the current portion, which is included in trade accounts receivable on the consolidated balance sheets. The carrying value of long-term debt in the table excludes capital lease obligations but includes the current portion, which is included in current portion of long-term debt on the consolidated balance sheets.

The carrying value of cash and cash equivalents, notes and accounts receivable and payable (excluding the current portion of long-term trade accounts receivable), short-term borrowings, and other current financial assets and liabilities approximates fair value because of the short maturity of those instruments. The fair value measurements of these assets and liabilities are categorized into Level 2, except for cash which is categorized into Level 1. The carrying value and fair value of other investments and derivatives are disclosed in Note 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, 2016:				
Assets:				
Available-for-sale securities:				
Equity securities of financial institutions	¥ 36,348	¥ —	¥ —	¥ 36,348
Other equity securities	73,657	—	—	73,657
Derivatives:				
Foreign exchange contracts	—	2,607	—	2,607
Cross-currency interest rate swap contracts	—	5,635	—	5,635
Total assets	¥ 110,005	¥ 8,242	¥ —	¥ 118,247
Liabilities:				
Derivatives:				
Foreign exchange contracts	¥ —	¥ 654	¥ —	¥ 654
Interest rate swap contracts	—	134	—	134
Cross-currency interest rate swap contracts	—	608	—	608
Total liabilities	¥ —	¥ 1,396	¥ —	¥ 1,396
At December 31, 2015:				
Assets:				
Available-for-sale securities:				
Equity securities of financial institutions	¥ 55,170	¥ —	¥ —	¥ 55,170
Other equity securities	80,813	—	—	80,813
Derivatives:				
Foreign exchange contracts	—	621	—	621
Cross-currency swap contracts	—	1,327	—	1,327
Cross-currency interest rate swap contracts	—	8,705	—	8,705
Total assets	¥ 135,983	¥ 10,653	¥ —	¥ 146,636
Liabilities:				
Derivatives:				
Foreign exchange contracts	¥ —	¥ 171	¥ —	¥ 171
Interest rate swap contracts	—	42	—	42
Total liabilities	¥ —	¥ 213	¥ —	¥ 213

Available-for-sale securities are valued using a quoted price for identical instruments in active markets. Derivatives are valued using observable market inputs from major international financial institutions. The reconciliation to the line items presented in the consolidated balance sheets of available-for-sale securities and derivatives are disclosed in Note 3. OTHER INVESTMENTS and Note 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 six months ended June 30, 2016 and for the nine months ended December 31, 2015, respectively.

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 interest rate exposures.

Cash Flow Hedges

The accounting treatments of changes in the fair value of foreign exchange contracts, interest rate swap contracts and cross-currency interest rate swap contracts depend on whether derivatives are designated as cash flow hedges. The effective portion of changes in the fair value of derivatives designated and qualified as cash flow hedges are reported in accumulated other comprehensive income (loss). As for foreign exchange contracts related to forecasted intercompany transactions, the amounts are subsequently reclassified into earnings when unrelated third party transactions occur. In the case of interest rate swap contracts, the amounts are reclassified into earnings when the related interest expense is recognized. In the case of cross-currency interest rate swap contracts, the amounts are reclassified into earnings through interest expense and foreign exchange gain (loss) when the related earnings are recognized. There were no unrecognized net gains or losses (net of tax) on derivatives included in accumulated other comprehensive income (loss) at June 30, 2016 that will be reclassified into earnings within the next 12 months. The ineffective portion of changes in the fair value of derivatives is immediately recorded in earnings.

Derivatives Not Designated as Hedging Instruments

The Company uses derivatives not designated as cash flow hedges in certain relationships, such as a part of foreign exchange contracts, cross-currency swap contracts, interest rate swap contracts, and cross-currency interest rate swap contracts, for economic purposes. Changes in the fair value of derivatives not designated are reported in earnings immediately.

Fair Values of Derivative Instruments and Income Effect of Derivative Instruments

The following table presents fair values of derivative instruments:

(¥ in millions)

	Other current assets		Other assets — Other		Other current liabilities		Other long-term liabilities	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Derivatives designated as hedging instruments:								
Total derivatives designated as hedging instruments	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Derivatives not designated as hedging instruments:								
Foreign exchange contracts	¥ 2,607	¥ 621	¥ —	¥ —	¥ 654	¥ 171	¥ —	¥ —
Cross-currency swap contracts	—	1,327	—	—	—	—	—	—
Interest rate swap contracts	—	—	—	—	115	42	19	—
Cross-currency interest rate swap contracts	3,527	4,706	2,108	3,999	136	—	472	—
Total derivatives not designated as hedging instruments	¥ 6,134	¥ 6,654	¥ 2,108	¥ 3,999	¥ 905	¥ 213	¥ 491	¥ —
Total	¥ 6,134	¥ 6,654	¥ 2,108	¥ 3,999	¥ 905	¥ 213	¥ 491	¥ —

The following table presents income effects of derivative instruments:

(¥ in millions)

Derivative instruments in cash flow hedges	Gain (Loss) recognized in other comprehensive Income (loss) and realized in net Income, before tax	
	Effective portion recognized in other comprehensive income (loss) Consolidated statements of income line item	Effective portion reclassified from accumulated other comprehensive income (loss) to net income
Six months ended June 30, 2016:		
Total	¥ —	¥ —
Six months ended September 30, 2015:		
Interest rate swap contracts	¥ (7) Interest expense	¥ (23)
Total	¥ (7)	¥ (23)

(¥ in millions)

Derivative instruments not designated as hedging instruments	Consolidated statements of income line item	Gain (Loss) recognized in net income, before tax
Six months ended June 30, 2016:		
Foreign exchange contracts	Foreign exchange loss—net	¥ 7,723
Cross-currency swap contracts	Foreign exchange loss—net	(212)
Interest rate swap contracts	Other—net	(120)
Cross-currency interest rate swap contracts	Other—net	(3,843)
Total		¥ 3,548
Six months ended September 30, 2015:		
Foreign exchange contracts	Foreign exchange loss—net	¥ (1,465)
Cross-currency swap contracts	Foreign exchange loss—net	13
Interest rate swap contracts	Other—net	(36)
Cross-currency interest rate swap contracts	Other—net	9,267
Total		¥ 7,779

(¥ in millions)

Derivative instruments in cash flow hedges	Gain (Loss) recognized in other comprehensive Income (loss) and realized in net Income, before tax	
	Effective portion recognized in other comprehensive income (loss)	Effective portion reclassified from accumulated other comprehensive income (loss) to net income
Three months ended June 30, 2016:		
Total	¥ —	¥ —
Three months ended September 30, 2015:		
Interest rate swap contracts	¥ 2 Interest expense	¥ (16)
Total	¥ 2	¥ (16)

(¥ in millions)

Derivative instruments not designated as hedging instruments	Consolidated statements of income line item	Gain (Loss) recognized in net income, before tax
Three months ended June 30, 2016:		
Foreign exchange contracts	Foreign exchange loss—net	¥ 3,478
Cross-currency swap contracts	Foreign exchange loss—net	(102)
Interest rate swap contracts	Other—net	(51)
Cross-currency interest rate swap contracts	Other—net	(317)
Total		¥ 3,008
Three months ended September 30, 2015:		
Foreign exchange contracts	Foreign exchange loss—net	¥ 1,110
Cross-currency swap contracts	Foreign exchange loss—net	(743)
Interest rate swap contracts	Other—net	(36)
Cross-currency interest rate swap contracts	Other—net	6,797
Total		¥ 7,128

The amount of gains or losses related to the hedging ineffectiveness was not material for the six months ended June 30, 2016 and the six months ended September 30, 2015, respectively.

9. PLEDGED ASSETS

Pledged assets are comprised of the following:

(¥ in millions)

	June 30, 2016	December 31, 2015
Trade accounts	155	349
Short-term finance receivables ^{*1}	38,950	46,869
Other current assets ^{*2}	3,064	4,814
Long-term finance receivables ^{*1}	68,263	84,644
Property, plant, and equipment	1,669	2,047
Total	¥ 112,101	¥ 138,723

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

^{*2} Other current assets represent the restricted cash which is pledged in accordance with the terms of borrowings.

The above assets were pledged against the following liabilities:

(¥ in millions)

	June 30, 2016	December 31, 2015
Short-term borrowings	¥ 386	¥ 611
Current portion of long-term debt	33,525	40,483
Long-term debt	59,794	74,554
Total	¥ 93,705	¥ 115,648

10. RETIREMENT AND PENSION PLANS

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

(¥ in millions)

	Six months ended June 30, 2016	Six months ended September 30, 2015
Service cost	¥ 4,389	¥ 3,300
Interest cost	1,295	1,299
Expected return on plan assets	(2,450)	(2,386)
Amortization of prior service benefit	(172)	(172)
Amortization of actuarial loss	380	50
Total	¥ 3,442	¥ 2,091

(¥ in millions)

	Three months ended June 30, 2016	Three months ended September 30, 2015
Service cost	¥ 2,190	¥ 1,638
Interest cost	648	648
Expected return on plan assets	(1,225)	(1,190)
Amortization of prior service benefit	(86)	(86)
Amortization of actuarial loss	189	60
Total	¥ 1,716	¥ 1,070

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)

	Six months ended June 30, 2016	Six months ended September 30, 2015
Research and development expenses	¥ 20,515	¥ 19,474
Advertising costs	7,772	7,892
Shipping and handling costs	32,617	35,627
Depreciation and amortization	19,900	20,128

(¥ in millions)

	Three months ended June 30, 2016	Three months ended September 30, 2015
Research and development expenses	¥ 11,041	¥ 9,365
Advertising costs	4,135	3,690
Shipping and handling costs	16,576	18,641
Depreciation and amortization	10,058	10,195

Other Operating Expenses

Other operating expenses—net for the six months ended June 30, 2016 included a loss from sales and disposals of fixed assets of ¥205 million and expenses related to liquidation of subsidiaries of ¥504 million.

Other operating expenses—net for the six months ended September 30, 2015 included a loss from sales and disposals of fixed assets of ¥300 million and a loss from impairment of long-lived assets of ¥1,892 million.

Other operating expenses—net for the three months ended June 30, 2016 included a loss from sales and disposals of fixed assets of ¥89 million and expenses related to liquidation of subsidiaries of ¥504 million.

Other operating expenses—net for the three months ended September 30, 2015 included a loss from sales and disposals of fixed assets of ¥183 million and a loss from impairment of long-lived assets of ¥1,892 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:

	Six months ended June 30, 2016	Six months ended September 30, 2015
Net income attributable to Kubota Corporation (¥ in millions)	¥ 62,321	¥ 72,734
Weighted average number of shares (in thousands)	1,244,191	1,244,527

	Three months ended June 30, 2016	Three months ended September 30, 2015
Net income attributable to Kubota Corporation (¥ in millions)	¥ 25,968	¥ 33,481
Weighted average number of shares (in thousands)	1,243,878	1,244,522

There are no potentially dilutive shares outstanding for the six months ended June 30, 2016 and the six months ended September 30, 2015, respectively.

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)

	Six months ended June 30, 2016			Six months ended September 30, 2015		
	Kubota Corporation	Non-controlling interests	Total	Kubota Corporation	Non-controlling interests	Total
Foreign currency translation adjustments	¥ (91,400)	¥ (5,937)	¥ (97,337)	¥ (12,395)	¥ (5,531)	¥ (17,926)
Unrealized losses on securities	(17,272)	(3)	(17,275)	(11,696)	(143)	(11,839)
Unrealized gains on derivatives	—	—	—	10	—	10
Pension liability adjustments	(65)	2	(63)	(187)	(18)	(205)
Other comprehensive loss	¥ (108,737)	¥ (5,938)	¥ (114,675)	¥ (24,268)	¥ (5,692)	¥ (29,960)

(¥ in millions)

	Three months ended June 30, 2016			Three months ended September 30, 2015		
	Kubota Corporation	Non-controlling interests	Total	Kubota Corporation	Non-controlling interests	Total
Foreign currency translation adjustments	¥ (56,806)	¥ (4,556)	¥ (61,362)	¥ (23,100)	¥ (5,306)	¥ (28,406)
Unrealized losses on securities	(6,161)	(4)	(6,165)	(17,966)	(7)	(17,973)
Unrealized gains on derivatives	—	—	—	12	—	12
Pension liability adjustments	261	1	262	209	(5)	204
Other comprehensive loss	¥ (62,706)	¥ (4,559)	¥ (67,265)	¥ (40,845)	¥ (5,318)	¥ (46,163)

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)

	Foreign currency translation adjustments	Unrealized gains on securities	Unrealized losses on derivatives	Pension liability adjustments	Total
Six months ended June 30, 2016:					
Balance at beginning of period	¥ 50,112	¥ 46,955	¥ —	¥ (17,775)	¥ 79,292
Changes in ownership Interests in subsidiaries	(362)	—	—	94	(268)
Other comprehensive income (loss) before reclassification	(91,400)	(16,626)	—	(207)	(108,233)
Reclassification to net income	—	(646)	—	142	(504)
Net change	(91,762)	(17,272)	—	29	(109,005)
Balance at end of period	¥ (41,650)	¥ 29,683	¥ —	¥ (17,746)	¥ (29,713)
Six months ended September 30, 2015:					
Balance at beginning of period	¥ 62,876	¥ 57,483	¥ (10)	¥ (10,903)	¥ 109,446
Changes in ownership Interests in subsidiaries	(86)	—	—	—	(86)
Other comprehensive income (loss) before reclassification	(12,395)	(10,757)	(5)	(122)	(23,279)
Reclassification to net income	—	(939)	15	(65)	(989)
Net change	(12,481)	(11,696)	10	(187)	(24,354)
Balance at end of period	¥ 50,395	¥ 45,787	¥ —	¥ (11,090)	¥ 85,092

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

(¥ in millions)

	Amount reclassified from accumulated other comprehensive income (loss)	*1	Affected line item in the statement where net income is presented
Six months ended June 30, 2016:			
Unrealized losses on securities	¥ (931)		Gain on sales of securities—net
	285		Income taxes
	<u>(646)</u>		Net income attributable to Kubota Corporation
Pension liability adjustments	208	*2	
	(64)		Income taxes
	<u>144</u>		Net income
	(2)		Net income attributable to non-controlling interests
	<u>142</u>		Net income attributable to Kubota Corporation
Total	¥ (504)		
Six months ended September 30, 2015:			
Unrealized losses on securities	¥ (1,401)		Gain on sales of securities—net
	462		Income taxes
	<u>(939)</u>		Net income attributable to Kubota Corporation
Unrealized gains on derivatives	23		Interest expense
	(8)		Income taxes
	<u>15</u>		Net income attributable to Kubota Corporation
Pension liability adjustments	(122)	*2	
	39		Income taxes
	<u>(83)</u>		Net income
	18		Net income attributable to non-controlling interests
	<u>(65)</u>		Net income attributable to Kubota Corporation
Total	¥ (989)		

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

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

(¥ in millions)

	Amount reclassified from accumulated other comprehensive income (loss)	*1	Affected line item in the statement where net income is presented
Three months ended June 30, 2016:			
Unrealized losses on securities	¥ (618)		Gain on sales of securities—net
	189		Income taxes
	(429)		Net income attributable to Kubota Corporation
Pension liability adjustments	103	*2	
	(32)		Income taxes
	71		Net income
	(1)		Net income attributable to non-controlling interests
	70		Net income attributable to Kubota Corporation
Total	¥ (359)		
Three months ended September 30, 2015:			
Unrealized losses on securities	¥ (772)		Gain on sales of securities—net
	254		Income taxes
	(518)		Net income attributable to Kubota Corporation
Unrealized gains on derivatives	16		Interest expense
	(6)		Income taxes
	10		Net income attributable to Kubota Corporation
Pension liability adjustments	(26)	*2	
	8		Income taxes
	(18)		Net income
	5		Net income attributable to non-controlling interests
	(13)		Net income attributable to Kubota Corporation
Total	¥ (521)		

*1 Indicates decrease (increase) in 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 February 16, 2016	Common stock	Retained earnings	¥17,428	¥14.00	December 31, 2015	March 28, 2016

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

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 August 3, 2016	Common stock	Retained earnings	¥17,411	¥14.00	June 30, 2016	September 1, 2016

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 five years. The maximum potential amount of undiscounted future payments of these financial guarantees at June 30, 2016 was ¥10,171 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 25 major lawsuits, five district courts ruled in favor of the Company, but the plaintiff appealed the court ruling right after the judgment. Since the above cases will be continued until the ultimate outcome is reached, the Company believes that the current developments in the cases do not provide any additional information that would facilitate the Company to expect the ultimate outcome and the timing of termination of these asbestos related lawsuits as a whole.

Matters Related to the Health Hazard of Asbestos

The Company's plant in Amagasaki, Hyogo Prefecture, Japan, used to produce asbestos-related products 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 ¥185 million and ¥311 million at June 30, 2016 and December 31, 2015, respectively. The accrual includes possible payments to certain residents who lived near the Company's plant and current and former employees, and the special contribution in accordance with the New Asbestos Law.

Though the Company is not certain if the claimants who are currently under review will meet the Company's specified criteria at the time of their filing claims with the Company, the Company accrued the possible payments calculated by using the historical designation rate of the Company's payment program since the payments to those claimants are considered to be probable. The Company believes it is not possible to reasonably estimate the number of residents who lived near the Company's plant and current and former employees will apply for payments in the future. Accordingly, such payments are not included in the accrued amounts as described above.

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

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, agricultural-related products, engines, construction machinery, and electronic equipped machinery. The Water & Environment segment manufactures and distributes pipe-related products (ductile iron pipes, plastic pipes, pumps, valves, and other products), environment-related products (environmental control plants and other products), and social infrastructure-related products (industrial castings, ceramics, spiral welded steel pipes, and other products). The Other segment offers a variety of services, and manufactures and sells housing materials.

The segments represent the components of the Company for which separate financial information is available that is utilized on a regular basis by the chief operating decision maker in determining how to allocate the Company's resources and evaluate performance. The segments also represent the Company's organizational structure principally based on the nature of products and services.

The accounting policies for the reporting segments are consistent with the accounting policies used in the Company's consolidated financial statements.

Reporting Segments

Information by reporting segment is summarized as follows:

(¥ in millions)

	Farm & Industrial Machinery	Water & Environment	Other	Adjustments	Consolidated
Six months ended June 30, 2016					
Revenues:					
External customers	¥ 631,370	¥ 149,879	¥ 14,887	¥ —	¥ 796,136
Intersegment	291	701	12,376	(13,368)	—
Total	631,661	150,580	27,263	(13,368)	796,136
Operating income	¥ 101,446	¥ 13,650	¥ 1,854	¥ (11,370)	¥ 105,580
Six months ended September 30, 2015					
Revenues:					
External customers	¥ 675,372	¥ 122,268	¥ 13,445	¥ —	¥ 811,085
Intersegment	177	368	12,230	(12,775)	—
Total	675,549	122,636	25,675	(12,775)	811,085
Operating income	¥ 121,835	¥ 4,127	¥ 1,030	¥ (13,363)	¥ 113,629

(Notes)

1. "Adjustments" include the elimination of intersegment transfers and unallocated corporate expenses.
2. The aggregated amounts of operating income are equal to those in the consolidated 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.

(¥ in millions)

	Farm & Industrial Machinery	Water & Environment	Other	Adjustments	Consolidated
Three months ended June 30, 2016					
Revenues:					
External customers	¥ 328,253	¥ 55,478	¥ 7,036	¥ —	¥ 390,767
Intersegment	69	102	6,054	(6,225)	—
Total	328,322	55,580	13,090	(6,225)	390,767
Operating income	¥ 53,060	¥ 136	¥ 731	¥ (5,799)	¥ 48,128
Three months ended September 30, 2015					
Revenues:					
External customers	¥ 325,336	¥ 68,795	¥ 6,851	¥ —	¥ 400,982
Intersegment	102	225	6,270	(6,597)	—
Total	325,438	69,020	13,121	(6,597)	400,982
Operating income	¥ 58,465	¥ 2,864	¥ 494	¥ (7,491)	¥ 54,332

(Notes)

1. "Adjustments" include the elimination of intersegment transfers and unallocated corporate expenses.
2. The aggregated amounts of operating income are equal to those in the consolidated 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)

Revenues from external customers by destination:	Six months ended	Six months ended
	June 30, 2016	September 30, 2015
Japan	¥ 282,206	¥ 260,399
North America	221,045	244,556
Europe	109,370	98,494
Asia outside Japan	153,035	168,820
Other areas	30,480	38,816
Total	¥ 796,136	¥ 811,085

(Notes)

1. Revenues from North America included those from the United States of ¥194,422 million and ¥213,786 million for the six months ended June 30, 2016 and the six months ended September 30, 2015, respectively.
2. There was no single customer from whom revenues exceeded 10% of total consolidated revenues of the Company.

(¥ in millions)

Revenues from external customers by destination:	Three months ended	Three months ended
	June 30, 2016	September 30, 2015
Japan	¥ 123,197	¥ 143,603
North America	122,136	117,626
Europe	54,360	43,196
Asia outside Japan	76,715	75,412
Other areas	14,359	21,145
Total	¥ 390,767	¥ 400,982

(Notes)

1. Revenues from North America included those from the United States of ¥108,739 million and ¥103,841 million for the three months ended June 30, 2016 and the three months ended September 30, 2015, respectively.
2. There was no single customer from whom revenues exceeded 10% of total consolidated revenues of the Company.

17. SUBSEQUENT EVENT

In July, 2016, the Company acquired 100% of the outstanding shares of Great Plains Manufacturing, Inc., a farm implement manufacturer in the U.S., via Kubota U.S.A., Inc., the Company's U.S. subsidiary. The consideration paid for the above acquisition was approximately 430 million U.S. dollars. Further details are not disclosed as acquisition accounting has not been completed as of the filing date of this quarterly report.

2. Other

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

1) Shareholders to Be Paid Cash Dividends

Shareholders of record on June 30, 2016

2) Amount of Dividends

¥14.00 per common share, a total of ¥17,411 million

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

September 1, 2016

COVER

[Document Filed]	Confirmation Letter
[Applicable Law]	Article 24-4-8, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed to]	Director, Kanto Local Finance Bureau
[Filing Date]	August 9, 2016
[Company Name]	Kabushiki Kaisha Kubota
[Company Name in English]	Kubota Corporation
[Title and Name of Representative]	Masatoshi Kimata, President and Representative Director
[Title and Name of CFO]	Shigeru Kimura, Director and Senior Managing Executive Officer General Manager of Planning & Control Headquarters
[Address of Head Office]	2-47, Shikitsuhigashi 1-chome, Naniwa-ku, Osaka, JAPAN
[Place Where Available for Public Inspection]	Kubota Corporation, Hanshin Office (1-1, Hama 1-chome, Amagasaki-shi, Hyogo, JAPAN) Kubota Corporation, Tokyo Head Office (1-3, Kyobashi 2-chome, Chuo-ku, Tokyo, JAPAN) Kubota Corporation, Chubu Regional Office (22-8, Meieki 3-chome, Nakamura-ku, Nagoya, JAPAN) Kubota Corporation, Yokohama Branch (6, Onoe-cho 1-chome, Naka-ku, Yokohama, JAPAN) Tokyo Stock Exchange, Inc (2-1, Nihombashi Kabuto-cho, Chuo-ku, Tokyo, JAPAN)

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

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

2. Special Notes

Not applicable