

[Translation]

Quarterly Report

(The Second Quarter of the 134th Business Term)
From April 1, 2023 to June 30, 2023

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 pursuant to the Financial Instruments and Exchange Act of Japan.

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

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

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

1. Overview of the Company

1. Key Financial Data

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

	Six months ended June 30, 2023	Six months ended June 30, 2022	Year ended December 31, 2022
Revenue	¥ 1,520,040 [738,477]	¥ 1,259,346 [666,554]	¥ 2,676,980
Profit before income taxes	191,841	130,469	231,150
Profit attributable to owners of the parent	128,823 [59,723]	91,533 [40,962]	156,472
Comprehensive income attributable to owners of the parent	280,368	279,837	283,262
Equity attributable to owners of the parent	2,127,374	1,909,799	1,874,490
Total assets	5,221,235	4,601,998	4,765,053
Earnings per share attributable to owners of the parent:			
Basic	108.56 [50.43]	76.37 [34.22]	131.06
Diluted	—	—	—
Ratio of equity attributable to owners of the parent to total assets (%)	40.7	41.5	39.3
Net cash used in operating activities	(98,123)	(22,023)	(7,680)
Net cash used in investing activities	(97,801)	(226,630)	(318,499)
Net cash provided by financing activities	153,651	189,754	282,557
Cash and cash equivalents, at the end of the period	193,349	215,333	225,799

(Notes)

1. The condensed consolidated financial statements and the consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).
2. As the Company prepares the condensed consolidated financial statements, its nonconsolidated financial data is not presented.
3. Amounts less than presentation units are rounded to the nearest unit.
4. *Earnings per share attributable to owners of the parent—Diluted* is not stated since Kubota Corporation did not have potentially dilutive common shares that were outstanding during the period.
5. Effective from the beginning of current consolidated fiscal year, the Company has adopted IFRS 17 *Insurance Contracts*, and effective from the year ended December 31, 2022, the Company has changed the measurement method of allowance for doubtful accounts for lease receivables. In addition, the provisional accounting for the business combination of Escorts Limited (currently, Escorts Kubota Limited; hereinafter, "EKL"), which the Company acquired on April 11, 2022, has been finalized during the three months ended March 31, 2023. The key financial data for the three months and six months ended June 30, 2022, and the year ended December 31, 2022, have been retrospectively adjusted for these effects.

2. Description of Business

There were no material changes in the Company's business nor were there any material changes in associates during the six months ended June 30, 2023.

2. Business Overview

1. Risk Factors

For the six months ended June 30, 2023, there were no major risks that the management recognizes as having the potential to materially affect the consolidated financial position, results of operations, and cash flows (hereinafter, “results of operations”) presented in “2. Business Overview” or “4. Financial Information.”

There were no material changes in the information described in the Risk Factors section of the Annual Securities Report for the year ended December 31, 2022.

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

Effective from the beginning of current consolidated fiscal year, the Company has adopted IFRS 17 *Insurance Contracts*, and effective from the year ended December 31, 2022, the Company has changed the measurement method of allowance for doubtful accounts for lease receivables. In addition, the provisional accounting for the business combination of EKL, which the Company acquired on April 11, 2022, has been finalized during the three months ended March 31, 2023. In the following analysis, consolidated financial position, results of operations, and cash flows for the six months ended June 30, 2023, are compared with the figures for the six months ended June 30, 2022, and the year ended December 31, 2022, that are retrospectively adjusted for these effects.

(1) Analysis of Results of Operations

For the six months ended June 30, 2023, revenue of the Company increased by ¥260.7 billion [20.7%] from the same period in the prior year to ¥1,520.0 billion.

Domestic revenue increased by ¥16.0 billion [5.3%] from the same period in the prior year to ¥315.1 billion because of increased revenue in Farm & Industrial Machinery and Water & Environment.

Overseas revenue also increased by ¥244.7 billion [25.5%] from the same period in the prior year to ¥1,205.0 billion because of increased revenue in Farm & Industrial Machinery and Water & Environment.

Operating profit increased by ¥65.8 billion [55.4%] from the same period in the prior year to ¥184.6 billion mainly due to sales price increase and favorable impact from foreign exchange rates although there were some negative effects, such as a rise in material prices, an increase in sales incentive costs caused by a rise in interest rate, and an increase in various expenses mainly due to inflation. Profit before income taxes increased by ¥61.4 billion [47.0%] from the same period in the prior year to ¥191.8 billion due to increased operating profit. Income tax expenses were ¥52.7 billion. Share of profits of investments accounted for using the equity method was ¥0.9 billion. Profit for the period increased by ¥38.8 billion [38.3%] from the same period in the prior year to ¥140.1 billion. Profit attributable to owners of the parent increased by ¥37.3 billion [40.7%] from the same period in the prior year to ¥128.8 billion.

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

1) Farm & Industrial Machinery

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

Revenue in this segment increased by 22.8% from the same period in the prior year to ¥1,344.2 billion and accounted for 88.4% of consolidated revenue.

Domestic revenue increased by 4.7% from the same period in the prior year to ¥162.9 billion mainly due to increased sales of farm equipment and engines.

Overseas revenue increased by 25.7% from the same period in the prior year to ¥1,181.3 billion. In North America, sales of tractors increased due to a replenishment of inventory, sales of construction machinery increased thanks to backorders of home construction and demand for infrastructure construction by the government. In Europe, sales of construction machinery and engines were solid, supported by public construction demand. Sales of tractors also increased thanks to improvement of inventory shortage. With respect to Asia outside Japan, in Thailand, the Company struggled with sales due to refraining from purchases caused by drought concerns. Sales in India increased due to consolidation of EKL since the second quarter of the prior year and good yields in this spring season.

Operating profit in this segment increased by 72.4% from the same period in the prior year to ¥198.4 billion mainly due to some favorable impacts of sales price increase, foreign exchange rates, and sales increase although there were some negative effects from an increase in sales incentive cost caused by a rise in interest rate, a rise in material prices, and an increase in various expenses caused by inflation mainly.

2) Water & Environment

Water & Environment is composed of pipe system business (ductile iron pipes, plastic pipes, and other products), industrial products business (reformer and cracking tubes, spiral-welded steel pipes, air-conditioning equipment and other products), and environment business (environmental control plants, pumps, other products and engineering).

Revenue in this segment increased by 8.5% from the same period in the prior year to ¥165.6 billion and accounted for 10.9% of consolidated revenue.

Domestic revenue increased by 7.6% from the same period in the prior year to ¥142.0 billion. Sales of pipe system business increased due to firm sales of plastic pipes and sales of environment business also increased.

Overseas revenue increased by 13.9% from the same period in the prior year to ¥23.7 billion mainly due to firm sales of industrial products business, such as cracking tubes, supported by demand for overseas plant construction.

Operating profit in this segment increased by 2.1% from the same period in the prior year to ¥9.9 billion due to sales price increase could compensate negative effects from a rise in material prices.

3) Other

Other is mainly composed of a variety of other services.

Revenue in this segment decreased by 11.8% from the same period in the prior year to ¥10.2 billion and accounted for 0.7% of consolidated revenue.

Operating profit in this segment decreased by 37.8% from the same period in the prior year to ¥1.1 billion.

(2) Analysis of Financial Position

Total assets as of June 30, 2023, were ¥5,221.2 billion, an increase of ¥456.2 billion from the prior fiscal year-end. With respect to assets, trade receivables and finance receivables mainly increased due to increased revenue in North America and Europe.

With respect to liabilities, bonds and borrowings increased due to an increase in working capital mainly along with a change of payment terms with business partners. Equity increased due to the accumulation of retained earnings and an improvement in other components of equity along with fluctuations mainly in foreign exchange rates.

The ratio of equity attributable to owners of the parent to total assets stood at 40.7%, 1.4 percentage points higher than the prior fiscal year-end.

(3) Analysis of Cash Flows

Net cash used in operating activities during the six months ended June 30, 2023, was ¥98.1 billion, an increase of ¥76.1 billion in net cash outflow compared with the same period in the prior year. This increase was due to a decrease in trade payables mainly resulting from the change in payment terms with business partners and an increase in trade receivables.

Net cash used in investing activities was ¥97.8 billion, a decrease of ¥128.8 billion in net cash outflow compared with the same period in the prior year. This decrease was mainly owing to the acquisition of shares of a subsidiary in the same period of the prior year although payments for acquisition of property, plant, and equipment in cash outflow increased.

Net cash provided by financing activities was ¥153.7 billion, a decrease of ¥36.1 billion in net cash inflow compared with the same period in the prior year, due to an increase in repayments of long-term borrowings and a decrease in funding through short-term borrowings.

As a result of the above and after taking into account the effects of exchange rate changes, cash and cash equivalents as of June 30, 2023, were ¥193.3 billion, a decrease of ¥32.5 billion from the beginning of the current period.

(4) Issues to Address on Business and Finance

There were no material changes with respect to issues to be addressed in the six months ended June 30, 2023, and no additional issues arose during the period.

(5) Research and Development

The Company's research and development expenses for the six months ended June 30, 2023, were ¥47.7 billion.

There were no material changes in the Company's research and development activities during the six months ended June 30, 2023.

3. Material Contracts

There were no material contracts which were decided or entered into during the six months ended June 30, 2023.

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, 2023)	Number of shares issued as of filing date (shares) (August 9, 2023)	Stock exchange on which Kubota Corporation is listed	Description
Common shares	1,191,006,846	1,181,076,846	Tokyo Stock Exchange, Inc. (the Prime Market)	The number of shares per one unit of shares is 100 shares.
Total	1,191,006,846	1,181,076,846	—	—

(Note)

Pursuant to the resolution of the Meeting of the Board of Directors of the Parent Company on July 18, 2023, the Company has retired 9,930,000 shares of treasury shares on July 31, 2023.

(2) Information on Share Acquisition Rights

1) Details of Stock Option Plan

Not applicable.

2) Details of Other Stock Acquisition Rights

Not applicable.

(3) Information on Moving Strike Convertible Bonds

Not applicable.

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

Date	Changes in the total number of issued shares (thousands of shares)	Balance of the total number of issued shares (thousands of shares)	Changes in common shares (millions of yen)	Balance of common shares (millions of yen)	Changes in capital reserve (millions of yen)	Balance of capital reserve (millions of yen)
From: April 1, 2023	—	1,191,006	¥ —	¥ 84,130	¥ —	¥ 73,117
To: June 30, 2023	—	1,181,076	¥ —	¥ 84,130	¥ —	¥ 73,117

(Note)

Pursuant to the resolution of the Meeting of the Board of Directors of the Parent Company on July 18, 2023, the Company has retired 9,930,000 shares of treasury shares on July 31, 2023, and the balance of the total number of issued shares has been reduced to 1,181,076 thousands of shares as of the filing date.

(5) Major Shareholders

(As of June 30, 2023)

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	188,966	16.00
Nippon Life Insurance Company	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo, JAPAN	62,542	5.30
Custody Bank of Japan, Ltd. (Trust account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo, JAPAN	60,220	5.10
Meiji Yasuda Life Insurance Company	1-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo, JAPAN	59,929	5.07
Sumitomo Mitsui Banking Corporation	1-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo, JAPAN	36,006	3.05
Mizuho Bank, Ltd.	5-5, Otemachi 1-chome, Chiyoda-ku, Tokyo, JAPAN	31,506	2.67
MOXLEY & CO. LLC (Standing proxy: Mizuho Bank, Ltd.)	270 Park Avenue, New York, New York, 10017, USA (15-1, Konan 2-chome, Minato-ku, Tokyo, JAPAN)	28,835	2.44
BNYM TREATY DTT 15 (Standing proxy: MUFG Bank, Ltd.)	240 Greenwich Street, New York, New York, 10286, USA (7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo, JAPAN)	20,949	1.77
SMBC Nikko Securities Inc.	3-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo, JAPAN	20,055	1.70
STATE STREET BANK WEST CLIENT – TREATY 505234 (Standing proxy: Mizuho Bank, Ltd.)	1776 Heritage Drive, North Quincy, Massachusetts 02171, USA (15-1, Konan 2-chome, Minato-ku, Tokyo, JAPAN)	19,625	1.66
Total	—	528,636	44.76

(Notes)

- Treasury shares, which are deducted when calculating the *ownership percentage to the total number of issued shares*, do not include 1.32 million shares of Kubota Corporation held by the trust in connection with the stock compensation plan.
- The shares held by The Master Trust Bank of Japan, Ltd. (Trust account) and Custody Bank of Japan, Ltd. (Trust account) are invested as their fiduciary services.
- The large shareholding report by Sumitomo Mitsui DS Asset Management Company, Ltd. dated June 5, 2020, is available for public inspection. However, the information in the report is not stated in the preceding table since Kubota Corporation has not confirmed the actual status of shareholdings as of June 30, 2023, except that of Sumitomo Mitsui Banking Corporation and SMBC Nikko Securities Inc. A summary of the report as of May 29, 2020, is as follows:

Name	Share ownership (thousands of shares)	Ownership percentage to the total number of issued shares (%)
Sumitomo Mitsui DS Asset Management Company, Ltd.	3,743	0.31
Sumitomo Mitsui Banking Corporation	36,006	2.95
SMBC Nikko Securities Inc.	33,620	2.75
Total	73,370	6.01

- The change report pertaining to the large shareholding report by Mizuho Bank, Ltd. dated April 22, 2022, is available for public inspection. However, the information in the report is not stated in the preceding table, except for Mizuho Bank, Ltd., since Kubota Corporation has not confirmed the actual status of shareholdings as of June 30, 2023. A summary of the report as of April 15, 2022, is as follows:

Name	Share ownership (thousands of shares)	Ownership percentage to the total number of issued shares (%)
Mizuho Bank, Ltd.	31,506	2.62
Mizuho Securities Co., Ltd.	2,014	0.17
Asset Management One Co., Ltd.	31,855	2.65
Total	65,376	5.45

5. The change report pertaining to the large shareholding report by BlackRock Japan Co., Ltd. dated November 4, 2022, is available for public inspection. However, the information in the report is not stated in the preceding table since Kubota Corporation has not confirmed the actual status of shareholdings as of June 30, 2023. A summary of the report as of October 31, 2022, is as follows:

Name	Share ownership (thousands of shares)	Ownership percentage to the total number of issued shares (%)
BlackRock Japan Co., Ltd.	20,655	1.73
Aperio Group, LLC	1,371	0.12
BlackRock (Netherlands) B.V.	2,885	0.24
BlackRock Fund Managers Ltd.	3,705	0.31
BlackRock Asset Management Ireland Ltd.	10,445	0.88
BlackRock Fund Advisors	17,612	1.48
BlackRock Institutional Trust Company, N.A.	13,938	1.17
BlackRock Investment Management (UK) Ltd.	1,900	0.16
Total	72,515	6.09

6. The change report pertaining to the large shareholding report by Massachusetts Financial Services Company dated December 22, 2022, is available for public inspection. However, the information in the report is not stated in the preceding table since Kubota Corporation has not confirmed the actual status of shareholdings as of June 30, 2023. A summary of the report as of December 15, 2022, is as follows:

Name	Share ownership (thousands of shares)	Ownership percentage to the total number of issued shares (%)
Massachusetts Financial Services Company	44,811	3.76
MFS Investment Management K.K.	1,570	0.13
Total	46,382	3.89

7. The change report pertaining to the large shareholding report by Mitsubishi UFJ Financial Group, Inc. dated March 6, 2023, is available for public inspection. However, the information in the reports is not stated in the preceding table since Kubota Corporation has not confirmed the actual status of shareholdings as of June 30, 2023. A summary of the report as of February 27, 2023, is as follows:

Name	Share ownership (thousands of shares)	Ownership percentage to the total number of issued shares (%)
MUFG Bank, Ltd.	18,156	1.52
Mitsubishi UFJ Trust and Banking Corporation	42,674	3.58
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	9,647	0.81
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	10,760	0.90
Total	81,239	6.82

8. The change report pertaining to the large shareholding report by Sumitomo Mitsui Trust Bank, Ltd. dated June 21, 2023, is available for public inspection. However, the information in the reports is not stated in the preceding table since Kubota Corporation has not confirmed the actual status of shareholdings as of June 30, 2022. A summary of the report as of June 15, 2023, is as follows:

Name	Share ownership (thousands of shares)	Ownership percentage to the total number of issued shares (%)
Sumitomo Mitsui Trust Bank, Ltd.	19,572	1.64
Sumitomo Mitsui Trust Asset Management Co., Ltd.	35,851	3.01
Nikko Asset Management Co., Ltd.	25,558	2.15
Total	80,982	6.80

(6) Information on Voting Rights

1) Issued Shares

(As of June 30, 2023)

Classification		Number of shares (shares)	Number of voting rights	Description
Shares without voting rights		—	—	—
Shares with restricted voting rights (treasury shares, etc.)		—	—	—
Shares with restricted voting rights (others)		—	—	—
Shares with full voting rights (treasury shares, etc.)	(Treasury shares) Common shares:	9,940,600	—	—
	(Crossholding shares) Common shares:	718,400		
Shares with full voting rights (others)	Common shares:	1,179,839,000	11,798,390	—
Shares less than one unit	Common shares:	508,846	—	Shares less than one unit (100 shares)
Number of issued shares		1,191,006,846	—	—
Total number of voting rights		—	11,798,390	—

(Note)

The *Shares with full voting rights (others)* includes 1,000 shares (10 voting rights) registered in the name of Japan Securities Depository Center, Incorporated, and 1,324,300 shares (13,243 voting rights) held by the trust in connection with the stock compensation plan.

2) Treasury Shares

(As of June 30, 2023)

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 shares) Kubota Corporation	2-47, Shikitsu Higashi 1-chome, Naniwa-ku, Osaka, JAPAN	9,940,600	—	9,940,600	0.83
(Crossholding shares) Akita Kubota Corporation	295-38, Terauchikamiyashiki, Akita-shi, Akita, JAPAN	41,400	—	41,400	0.00
Minami Tohoku Kubota Corporation	16-1, Takakura Sugishita, Hiwadamachi, Koriyama-shi, Fukushima, JAPAN	102,000	—	102,000	0.01
Hokuriku Kinki Kubota Corporation	956-1, Shimokashiwanomachi, Hakusan-shi, Ishikawa, JAPAN	9,000	—	9,000	0.00
Fukuoka Kyushu Kubota Corporation	11-36, Noma 1-chome, Minami-ku, Fukuoka, JAPAN	566,000	—	566,000	0.05
Total crossholding shares	—	718,400	—	718,400	0.06
Total	—	10,659,000	—	10,659,000	0.89

(Note)

Treasury shares do not include shares of Kubota Corporation held by the trust in connection with the stock compensation plan.

2. Changes in Directors and Senior Management

There were no changes in Directors and senior management during the period from the filing date of the Annual Securities Report for the year ended December 31, 2022, to June 30, 2023.

(Reference Information)

Kubota Corporation has adopted the Executive Officer System. Changes in Executive Officers who do not hold the post of the Director during the period from the filing date of the Annual Securities Report for the year ended December 31, 2022, to June 30, 2023, are as follows:

New company and position and responsibility		Former company and position and responsibility		Name	Date of change
Senior Executive Officer of Kubota Corporation	General Manager of Environmental Solutions Division, General Manager of Water Circulation Business Unit	Senior Executive Officer of Kubota Corporation	General Manager of Environmental Solutions Division, General Manager of Environmental Engineering Business Unit	Shinichi Fukuhara	April 1, 2023
Executive Officer of Kubota Corporation	General Manager of Production Control Headquarters, Deputy General Manager of Global ICT Headquarters	Executive Officer of Kubota Corporation	General Manager of Production Control Headquarters	Hiroyuki Tanihara	June 1, 2023

4. Financial Information

1. Condensed Consolidated Financial Statements

Kubota Corporation and Its Subsidiaries

(1) Condensed Consolidated Statement of Financial Position

(Unit: millions of yen)

	Notes	June 30, 2023	December 31, 2022
ASSETS			
Current assets:			
Cash and cash equivalents		¥ 193,349	¥ 225,799
Trade receivables		927,944	779,385
Finance receivables		543,376	480,658
Other financial assets	6	74,603	71,516
Contract assets		19,736	28,018
Inventories		686,203	644,471
Income taxes receivable		15,695	2,710
Other current assets		56,600	55,223
Total current assets		2,517,506	2,287,780
Noncurrent assets:			
Investments accounted for using the equity method		47,507	46,492
Finance receivables		1,335,523	1,203,856
Other financial assets	6	193,717	165,438
Property, plant, and equipment		684,405	644,245
Goodwill		150,378	134,597
Intangible assets		194,422	184,291
Deferred tax assets		73,268	75,827
Other noncurrent assets		24,509	22,527
Total noncurrent assets		2,703,729	2,477,273
Total assets		¥ 5,221,235	¥ 4,765,053

(Unit: millions of yen)

	Notes	June 30, 2023	December 31, 2022
LIABILITIES AND EQUITY			
Current liabilities:			
Bonds and borrowings		¥ 588,351	¥ 640,889
Trade payables		295,521	454,780
Other financial liabilities	7	93,395	106,096
Insurance contract liabilities		50,949	50,792
Income taxes payable		23,446	24,646
Provisions		71,252	65,823
Contract liabilities		34,868	33,509
Other current liabilities	8	232,234	207,040
Total current liabilities		1,390,016	1,583,575
Noncurrent liabilities:			
Bonds and borrowings	9	1,354,539	970,216
Other financial liabilities	7	38,487	41,135
Retirement benefit liabilities		15,498	14,293
Deferred tax liabilities		58,657	46,673
Other noncurrent liabilities	8	7,491	6,673
Total noncurrent liabilities		1,474,672	1,078,990
Total liabilities		2,864,688	2,662,565
Equity:			
Equity attributable to owners of the parent:			
Share capital		84,130	84,130
Share premium		97,765	79,247
Retained earnings		1,632,006	1,529,248
Other components of equity		336,648	185,422
Treasury shares		(23,175)	(3,557)
Total equity attributable to owners of the parent		2,127,374	1,874,490
Noncontrolling interests		229,173	227,998
Total equity		2,356,547	2,102,488
Total liabilities and equity		¥ 5,221,235	¥ 4,765,053

See notes to condensed consolidated financial statements.

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

Six months ended June 30, 2023 and 2022

Condensed Consolidated Statement of Profit or Loss

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

	Notes	2023	%	2022	%
Revenue	10	¥ 1,520,040	100.0	¥ 1,259,346	100.0
Cost of sales		(1,081,345)		(940,668)	
Selling, general, and administrative expenses		(260,525)		(219,281)	
Other income		12,720		20,804	
Other expenses		(6,316)		(1,441)	
Operating profit		184,574	12.1	118,760	9.4
Finance income		9,570		12,678	
Finance costs		(2,303)		(969)	
Profit before income taxes		191,841	12.6	130,469	10.4
Income tax expenses		(52,707)		(30,433)	
Share of profits of investments accounted for using the equity method		936		1,235	
Profit for the period		¥ 140,070	9.2	¥ 101,271	8.0
Profit attributable to:					
Owners of the parent		¥ 128,823	8.5	¥ 91,533	7.3
Noncontrolling interests		¥ 11,247	0.7	¥ 9,738	0.7
Earnings per share attributable to owners of the parent:					
Basic	11	¥ 108.56		¥ 76.37	
Diluted		¥ —		¥ —	

Condensed Consolidated Statement of Comprehensive Income

(Unit: millions of yen)

	Notes	2023	2022
Profit for the period		¥ 140,070	¥ 101,271
Other comprehensive income, net of income tax:			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit pension plans		134	554
Net change in fair value of financial assets measured at fair value through other comprehensive income		10,146	5,402
Items that may be reclassified subsequently to profit or loss:			
Exchange rate differences on translating foreign operations		157,740	199,340
Total other comprehensive income, net of income tax		168,020	205,296
Comprehensive income for the period		¥ 308,090	¥ 306,567
Comprehensive income attributable to:			
Owners of the parent		¥ 280,368	¥ 279,837
Noncontrolling interests		¥ 27,722	¥ 26,730

See notes to condensed consolidated financial statements.

Three months ended June 30, 2023 and 2022
Condensed Consolidated Statement of Profit or Loss

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

	Notes	2023	%	2022	%
Revenue		¥ 738,477	100.0	¥ 666,554	100.0
Cost of sales		(529,951)		(507,335)	
Selling, general, and administrative expenses		(133,727)		(118,647)	
Other income		12,025		12,125	
Other expenses		(5,498)		(716)	
Operating profit		81,326	11.0	51,981	7.8
Finance income		6,277		4,494	
Finance costs		(1,257)		(843)	
Profit before income taxes		86,346	11.7	55,632	8.3
Income tax expenses		(22,417)		(10,563)	
Share of profits of investments accounted for using the equity method		823		714	
Profit for the period		¥ 64,752	8.8	¥ 45,783	6.9
Profit attributable to:					
Owners of the parent		¥ 59,723	8.1	¥ 40,962	6.1
Noncontrolling interests		¥ 5,029	0.7	¥ 4,821	0.8
Earnings per share attributable to owners of the parent:					
Basic	11	¥ 50.43		¥ 34.22	
Diluted		¥ —		¥ —	

Condensed Consolidated Statement of Comprehensive Income

(Unit: millions of yen)

	Notes	2023	2022
Profit for the period		¥ 64,752	¥ 45,783
Other comprehensive income, net of income tax:			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit pension plans		138	124
Net change in fair value of financial assets measured at fair value through other comprehensive income		6,856	(1,127)
Items that may be reclassified subsequently to profit or loss:			
Exchange rate differences on translating foreign operations		130,495	126,069
Total other comprehensive income, net of income tax		137,489	125,066
Comprehensive income for the period		¥ 202,241	¥ 170,849
Comprehensive income attributable to:			
Owners of the parent		¥ 185,656	¥ 156,088
Noncontrolling interests		¥ 16,585	¥ 14,761

See notes to condensed consolidated financial statements.

(3) Condensed Consolidated Statement of Changes in Equity

(Unit: millions of yen)

	Equity attributable to owners of the parent					Total equity attributable to owners of the parent	Noncontrolling interests	Total equity	
	Notes	Share capital	Share premium	Retained earnings	Other components of equity				Treasury shares
Balance as of January 1, 2023		¥ 84,130	¥ 79,247	¥ 1,529,248	¥ 185,422	¥ (3,557)	¥ 1,874,490	¥ 227,998	¥ 2,102,488
Profit for the period				128,823			128,823	11,247	140,070
Total other comprehensive income, net of income tax					151,545		151,545	16,475	168,020
Comprehensive income for the period				128,823	151,545		280,368	27,722	308,090
Transfer to retained earnings				104	(104)		—		—
Dividends paid	12			(26,169)			(26,169)	(8,731)	(34,900)
Purchases and sales of treasury shares						(19,618)	(19,618)		(19,618)
Share-based payment transactions				54			54		54
Changes in ownership interests in subsidiaries				18,464	(215)		18,249	(17,816)	433
Balance as of June 30, 2023		¥ 84,130	¥ 97,765	¥ 1,632,006	¥ 336,648	¥ (23,175)	¥ 2,127,374	¥ 229,173	¥ 2,356,547
Balance as of January 1, 2022		¥ 84,130	¥ 84,886	¥ 1,439,631	¥ 69,522	¥ (134)	¥ 1,678,035	¥ 107,074	¥ 1,785,109
Cumulative effect of change in accounting policies				(6,157)	(279)		(6,436)		(6,436)
Profit for the period				91,533			91,533	9,738	101,271
Total other comprehensive income, net of income tax					188,304		188,304	16,992	205,296
Comprehensive income for the period				91,533	188,304		279,837	26,730	306,567
Transfer to retained earnings				18,580	(18,580)		—		—
Dividends paid	12			(25,205)			(25,205)	(5,762)	(30,967)
Purchases and sales of treasury shares						(14,775)	(14,775)		(14,775)
Share-based payment transactions				447			447		447
Changes associated with business combinations							—	105,180	105,180
Changes in ownership interests in subsidiaries				(2,089)	(15)		(2,104)	(780)	(2,884)
Balance as of June 30, 2022		¥ 84,130	¥ 83,244	¥ 1,518,382	¥ 238,952	¥ (14,909)	¥ 1,909,799	¥ 232,442	¥ 2,142,241

See notes to condensed consolidated financial statements.

(4) Condensed Consolidated Statement of Cash Flows

(Unit: millions of yen)

Six months ended June 30:	Notes	2023	2022
Cash flows from operating activities:			
Profit for the period		¥ 140,070	¥ 101,271
Depreciation and amortization		51,256	41,203
Loss from disposal of property, plant, and equipment and intangible assets, net		1,719	983
Finance income and costs		(4,280)	(8,951)
Income tax expenses		52,707	30,433
Share of profits of investments accounted for using the equity method		(936)	(1,235)
Increase in trade receivables		(108,626)	(76,894)
Increase in finance receivables		(45,254)	(37,916)
Decrease (increase) in inventories		8,254	(34,533)
Decrease in other assets		13,275	19,252
Decrease in trade payables		(177,020)	(35,579)
Increase in other liabilities		24,324	25,198
Net changes in retirement benefit assets and liabilities		995	2,419
Other, net		(554)	(6,742)
Interest received		5,334	1,809
Dividends received		1,115	1,074
Interest paid		(1,960)	(844)
Income taxes paid, net		(58,542)	(42,971)
Net cash used in operating activities		(98,123)	(22,023)
Cash flows from investing activities:			
Payments for acquisition of property, plant, and equipment		(79,817)	(68,044)
Payments for acquisition of intangible assets		(10,300)	(12,601)
Proceeds from sales of property, plant, and equipment		751	1,621
Payments for acquisition of subsidiaries		(1,626)	(118,249)
Purchase of investments accounted for using the equity method		(339)	(28,856)
Payments for acquisition of securities		(3,799)	(2,898)
Proceeds from sales and redemption of securities		35	690
Payments for loans receivable from associates		(9,500)	(10,200)
Collection of loans receivable from associates		10,346	10,650
Payments for time deposits		(7,736)	(8,274)
Proceeds from withdrawal of time deposits		7,579	2,102
Net decrease in restricted cash		72	1,017
Payments for acquisition of short-term investments		(6,652)	(2,408)
Proceeds from sales and redemptions of short-term investments		3,034	729
Other, net		151	8,091
Net cash used in investing activities		(97,801)	(226,630)
Cash flows from financing activities:			
Funding from bonds and long-term borrowings	9	546,246	410,054
Redemptions of bonds and repayments of long-term borrowings		(273,399)	(191,717)
Net (decrease) increase in short-term borrowings		(56,317)	24,563
Repayments for lease liabilities		(8,850)	(9,281)
Dividends paid	12	(26,169)	(25,205)
Purchase of treasury shares		(20,001)	(14,775)
Other, net		(7,859)	(3,885)
Net cash provided by financing activities		153,651	189,754
Effect of exchange rate changes on cash and cash equivalents		9,823	15,593
Net decrease in cash and cash equivalents		(32,450)	(43,306)
Cash and cash equivalents, at the beginning of the period		225,799	258,639
Cash and cash equivalents, at the end of the period		¥ 193,349	¥ 215,333

See notes to condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements

Kubota Corporation and Its Subsidiaries

1. REPORTING ENTITY

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

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

2. BASIS OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Compliance with International Financial Reporting Standards (IFRS)

The condensed consolidated financial statements of the Company are prepared in accordance with International Accounting Standard 34 pursuant to the Article 93 of the Ordinance on Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements (the “Ordinance”), since the Company meets the requirements for a *Specified Company under Designated International Financial Reporting Standards* as prescribed in Article 1-2 of the Ordinance. The condensed consolidated financial statements do not contain all the information and disclosures required for a complete set of financial statements and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2022.

Functional Currency and Presentation Currency

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

Significant Accounting Judgements, Estimates, and Assumptions

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

Estimates and assumptions are continually reviewed and the effect of such reviews, if any, is recognized as a change in accounting estimate in the reporting period in which the estimate is changed and in future reporting periods.

The significant accounting judgements, estimates, and assumptions made in preparing the condensed consolidated financial statements are consistent with those made in preparing the consolidated financial statements for the year ended December 31, 2022.

3. MATERIAL ACCOUNTING POLICIES

The accounting policies applied in the condensed consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2022, except for those described in changes in accounting policy section below.

Income taxes for the condensed consolidated financial statements are calculated based on the estimated annual effective tax rate. In addition, the Company has applied an exception to the requirements of IAS 12 *Income Taxes* under the Pillar Two Model Rules issued by the Organisation for Economic Co-operation and Development (“OECD”), which allows the Company not to recognize deferred tax assets and deferred tax liabilities for income taxes.

Changes in Accounting Policy

Effective from the current consolidated fiscal year, the Company has adopted IFRS 17 *Insurance Contracts*.

The Company has retrospectively applied IFRS 17 with a transition date of January 1, 2022. The retrospective application of IFRS 17 is in accordance with the following transitional provisions stipulated in the standard.

- Identify, recognize and measure each group of insurance contracts as if IFRS 17 had always applied
- Identify, recognize and measure any assets for insurance acquisition cash flows as if IFRS 17 had always applied (recoverability assessment before the transition date is not required)
- Derecognize any existing balances that would not exist had IFRS 17 always applied
- Recognize any resulting net difference in equity

In accordance with the application of IFRS 17, liabilities related to insurance contracts are presented separately as “Insurance contract liabilities” in the condensed consolidated statement of financial position.

Following is the accounting policy for insurance contracts after the adoption of IFRS 17.

1) Classification and Level of Aggregation

Contracts under which the Company assumes significant insurance risks are classified as insurance contracts.

The Company recognizes portfolios consisting of multiple insurance contracts that are exposed to similar risks and are managed together, and aggregates as the group of insurance contracts by dividing each annual cohort into groups based on the profitability of the contracts.

2) Recognition

Groups of insurance contracts issued by the Company are recognized from the earliest of the following:

- the beginning of the period for which insurance contract services are provided;
- the date when the first payment from a policyholder in the group becomes due, or if there is no contractual due date, the first payment from the policyholder is received; and
- for a group of onerous contracts, when the group becomes onerous.

3) Measurement

The Company, on initial recognition, measures a group of insurance contracts at the total of the fulfillment cash flows and contractual service margin. The fulfillment cash flows is an explicit, unbiased and probability-weighted estimate of the present value of the future cash outflows minus the present value of the future cash inflows that will arise as the Company fulfills insurance contracts, including a risk adjustment for non-financial risk. Estimates of future cash flows include all the future cash flows within the boundary of each group of insurance contracts, and all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows are utilized. In calculating the present value of future cash flows, the discount rates that reflect the time value of money, the characteristics of the cash flows and the liquidity characteristics of the insurance contracts are used. The contractual service margin is the excess of the consideration charged for a group of insurance contracts over the risk-adjusted expected present value of the cash outflows expected to fulfill the group and the insurance earned cash flows incurred prior to the recognition of the group.

The carrying amount of a group of insurance contracts at the end of the reporting period is measured at the total of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage is comprised of the fulfillment cash flows for future services allocated to the group and the contractual service margin that are estimated to reflect conditions as of the end of the reporting period. Changes in such liability is recognized in profit or loss as follows: reduction in the liability resulting from the insurance services provided during the reporting period as insurance revenue; and changes in the liability resulting from the effect of the time value of money and the effect of financial risks as insurance finance income or expenses. The liability for incurred claims is comprised of the fulfillment cash flows related to past service allocated to the group at the end of the reporting period. Changes in such liability is recognized in profit or loss as follows: increase in the liability resulting from claims and expenses incurred during the reporting period, and any subsequent changes in fulfillment cash flows relating to incurred claims and expenses as insurance service expenses; changes in the liability resulting from the effect of the time value of money and the effect of financial risks as insurance finance income or expenses.

Cash flows arising from the costs of selling, underwriting and starting a group of insurance contracts that are directly attributable to the portfolio of insurance contracts to which the group belongs are included in the measurement of the group of contracts on initial recognition as insurance acquisition cash flows. Insurance acquisition cash flows are allocated to each reporting period in a systematic way on the basis of the passage of time and the same amount is recognized as insurance service expenses.

In the condensed consolidated statement of profit or loss, insurance revenue, insurance service expenses and insurance finance income or expenses are included in "Revenue," "Cost of sales," and "Finance income" or "Finance costs," respectively.

4) Derecognition

Insurance contract is derecognized when a contract is extinguished or when a contract is modified in a way that would have significantly changed the accounting of a contract. When derecognized, the fulfillment cash flows are adjusted to eliminate the present value of the future cash flows and risk adjustment for non-financial risk relating to the rights and obligations that have been derecognized. The contractual service margin of the group is adjusted for the change in fulfillment cash flows, and the number of coverage units for expected remaining insurance contract services which is the basis of the amount recognized in profit or loss for the reporting period is also adjusted to reflect the derecognition.

4. SEGMENT INFORMATION

The Company engages in various fields of business and industries by providing products and services that are categorized into the following three segments: Farm & Industrial Machinery, Water & Environment, and Other. The Farm & Industrial Machinery segment manufactures and distributes farm equipment, agricultural-related products, engines, and construction machinery. The Water & Environment segment manufactures and distributes various products in pipe system business (ductile iron pipes, plastic pipes, and other products), industrial products business (mixing element radian tube, spiral-welded steel pipes, air-conditioning equipment and other products), and environment business (environmental control plants, pumps, and other products). The Other segment offers a variety of services.

Financial information of these segments is utilized on a regular basis by the chief operating decision-maker in determination of resource allocation of the Company and performance evaluation. These segments also represent the Company's organizational structure, which is principally based on the nature of products and services.

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

Information by reportable segment is summarized as follows:

(Unit: millions of yen)

Six months ended June 30:	Farm & Industrial Machinery	Water & Environment	Other	Adjustments	Consolidated
2023:					
Revenue:					
External customers	¥ 1,344,178	¥ 165,646	¥ 10,216	¥ —	¥ 1,520,040
Intersegment	108	25	16,132	(16,265)	—
Total	1,344,286	165,671	26,348	(16,265)	1,520,040
Operating profit	¥ 198,369	¥ 9,892	¥ 1,082	¥ (24,769)	¥ 184,574
2022:					
Revenue:					
External customers	¥ 1,095,050	¥ 152,713	¥ 11,583	¥ —	¥ 1,259,346
Intersegment	84	48	16,340	(16,472)	—
Total	1,095,134	152,761	27,923	(16,472)	1,259,346
Operating profit	¥ 115,060	¥ 9,688	¥ 1,739	¥ (7,727)	¥ 118,760

(Unit: millions of yen)

Three months ended June 30:	Farm & Industrial Machinery	Water & Environment	Other	Adjustments	Consolidated
2023:					
Revenue:					
External customers	¥ 659,179	¥ 74,689	¥ 4,609	¥ —	¥ 738,477
Intersegment	8	23	7,269	(7,300)	—
Total	659,187	74,712	11,878	(7,300)	738,477
Operating profit	¥ 90,619	¥ 875	¥ 364	¥ (10,532)	¥ 81,326
2022:					
Revenue:					
External customers	¥ 595,747	¥ 65,205	¥ 5,602	¥ —	¥ 666,554
Intersegment	48	4	8,259	(8,311)	—
Total	595,795	65,209	13,861	(8,311)	666,554
Operating profit	¥ 55,473	¥ 151	¥ 549	¥ (4,192)	¥ 51,981

(Notes)

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

5. BUSINESS COMBINATION

Six months ended June 30, 2023

Finalization of the provisional accounting for the business combination

The allocation of acquisition cost of Escorts Limited (currently, Escorts Kubota Limited), which the Company acquired on April 11, 2022, was not completed as of December 31, 2022, and therefore, the provisional accounting for the business combination was applied. However, the allocation of acquisition cost has been completed during the three months ended March 31, 2023, and the amount of goodwill has been adjusted as follows based on the determined allocation of acquisition cost.

Assets Acquired, Liabilities Assumed, Noncontrolling Interests, and Goodwill as of the Acquisition Date

(Unit: millions of yen)

Adjusted accounts	Amount of goodwill adjusted
Goodwill (before adjustments)	¥ 139,000
Inventories	(1,434)
Property, plant, and equipment	(10,037)
Intangible assets	(72,328)
Other noncurrent assets	(1,313)
Deferred tax liabilities	21,422
Noncontrolling interests	35,156
Goodwill (after adjustments)	¥ 110,466

(Notes)

1. Goodwill reflects the future excess earning power expected from the business development and synergies between the Company and EKL.
2. Noncontrolling interests are recognized at the proportion of the fair value of the identifiable assets and liabilities of the acquiree.

In accordance with the finalization of the provisional accounting, the corresponding figures as of December 31, 2022, of the condensed consolidated statement of financial position have been retrospectively adjusted. As a result, property, plant, and equipment, intangible assets, deferred tax liabilities, and noncontrolling interests increased by ¥8,545 million, ¥67,956 million, ¥19,577 million, and ¥33,989 million, respectively, while retained earnings and goodwill decreased by ¥1,843 million and ¥27,842 million, respectively, compared with those before retrospective adjustments.

There were no material impacts on the condensed consolidated statement of profit or loss and the condensed consolidated statement of comprehensive income for the three months and six months ended June 30, 2022.

Six months ended June 30, 2022

Acquisition of Escorts Limited

(1) Outline of the Business Combination

1) Name and nature of business of the acquiree

Name: Escorts Limited (Corporate name has been changed to Escorts Kubota Limited on June 9, 2022.)

Business: Manufacture and sales of agricultural machinery, construction machinery, etc.

2) Primary reason for business combination

The market of tractors that are designed to be highly durable with limited functions and at affordable prices (hereinafter, "basic tractors") are expected to expand primarily in the emerging countries. The Parent Company aims to provide basic tractors of good quality at an affordable price in this market by combining expertise of EKL in the development and manufacturing of basic tractors with accumulated product development knowledge and capabilities to improve quality and productivity of the Parent Company.

3) Acquisition date

April 11, 2022

4) Shareholding ratio acquired

44.8%

5) Method by which control of the acquiree was obtained

The Company acquired additional shares of EKL in cash, and the shareholding ratio of the Parent Company in EKL has increased to 44.8%. EKL is considered substantially controlled by the Parent Company as officers from the Parent Company were appointed as members of EKL's Board of Directors, and became a subsidiary of the Parent Company during the three months ended June 30, 2022.

(2) Acquisition Cost

		(Unit: millions of yen)
Fair value of acquisition cost	Amount	
Cash	¥	123,722
Equity interests held immediately prior to the acquisition date		71,351
Total	¥	195,073

(3) Assets Acquired, Liabilities Assumed, Noncontrolling Interests, and Goodwill as of the Acquisition Date

		(Unit: millions of yen)
Fair value of assets acquired and liabilities assumed	Amount	
Current assets:		
Trade receivables	¥	13,078
Other financial assets		42,533
Inventories		13,969
Others		6,237
Noncurrent assets:		
Other financial assets		37,868
Property, plant, and equipment		29,699
Others		6,710
Current liabilities:		
Trade payables		14,748
Others		7,606
Noncurrent liabilities:		
		2,576
Fair value of assets acquired and liabilities assumed, net	¥	125,164
Noncontrolling interests		69,091
Goodwill		139,000
Total	¥	195,073

(Notes)

1. The above amounts are provisional estimates since the allocation of acquisition cost has not been completed as of June 30, 2022.
2. Noncontrolling interests are recognized at the proportion of the fair value of the identifiable assets and liabilities of the acquiree.

(4) Composition of Goodwill Recognized

Goodwill reflects the future excess earning power expected from the business development and synergies between the Company and EKL.

(5) Impact of the Business Combination on Earnings

Revenue and profit for the period of EKL from the acquisition date to June 30, 2022, were ¥32,673 million and ¥2,114 million, respectively.

Assuming that such business combination occurred as of January 1, 2022, revenue and profit for the period of the Company for the six months ended June 30, 2022, were ¥1,291,932 million and ¥105,048 million, respectively. Since the allocation of the acquisition cost was not completed as of June 30, 2022, adjustments resulting from the finalization of the provisional accounting are not reflected to these amounts. This pro forma information is not subject to quarterly review by the independent auditor.

6. OTHER FINANCIAL ASSETS

Other financial assets are composed of the following:

	(Unit: millions of yen)			
		June 30, 2023		December 31, 2022
Financial assets measured at amortized cost:				
Long-term trade accounts receivable	¥	40,396	¥	36,555
Time deposits		18,391		16,745
Restricted cash (Note)		5,687		5,878
Debt financial assets		53,405		44,132
Others		19,776		18,582
Financial assets measured at fair value through other comprehensive income:				
Equity financial assets		82,976		68,595
Financial assets measured at fair value through profit or loss:				
Debt financial assets		44,666		35,515
Derivatives		3,023		10,952
Total	¥	268,320	¥	236,954
Current assets		74,603		71,516
Noncurrent assets		193,717		165,438

(Note)

Restricted cash are deposits pledged as collateral, which are restricted from their withdrawal, and advances received for public work, which are restricted from their usage.

7. OTHER FINANCIAL LIABILITIES

Other financial liabilities are composed of the following:

	(Unit: millions of yen)			
		June 30, 2023		December 31, 2022
Financial liabilities measured at amortized cost:				
Lease liabilities	¥	50,186	¥	52,376
Notes and accounts payable for capital expenditures		14,254		43,054
Deposits received		31,026		27,617
Others		20,316		21,194
Financial liabilities measured at fair value through profit or loss:				
Derivatives		16,100		2,990
Total	¥	131,882	¥	147,231
Current liabilities		93,395		106,096
Noncurrent liabilities		38,487		41,135

8. OTHER LIABILITIES

Other liabilities are composed of the following:

	(Unit: millions of yen)			
		June 30, 2023		December 31, 2022
Employment benefit obligation	¥	57,308	¥	55,925
Accrued expenses		51,079		53,012
Refund liabilities		90,813		67,975
Others		40,525		36,801
Total	¥	239,725	¥	213,713
Current liabilities		232,234		207,040
Noncurrent liabilities		7,491		6,673

9. BONDS

The details of outstanding bonds are as follows:

Six months ended June 30, 2023

Name	Issue Date	Face value (millions of yen)	Coupon rate (%)	Maturity date
16 th Unsecured Bonds	April 20, 2023	¥ 70,000	0.479	April 20, 2028
17 th Unsecured Bonds	April 20, 2023	¥ 50,000	0.950	April 20, 2033
USD Unsecured Bonds	May 31, 2023	(millions of USD) 500	4.958	May 31, 2026

Six months ended June 30, 2022

Name	Issue Date	Face value (millions of yen)	Coupon rate (%)	Maturity date
14 th Unsecured Bonds	June 2, 2022	¥ 100,000	0.300	June 2, 2027
15 th Unsecured Bonds	June 2, 2022	¥ 50,000	0.514	June 2, 2032

10. REVENUE

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

Effective from the current consolidated fiscal year, in conformity with the change in the business reporting structure of the Company, the former "Materials and urban infrastructure-related products" is renamed to "Industrial products."

(Unit: millions of yen)

Six months ended June 30, 2023	Japan	North America	Europe	Asia outside Japan	Other area	Total
Farm equipment and engines	¥ 143,368	¥ 383,512	¥ 140,874	¥ 259,686	¥ 36,820	¥ 964,260
Construction machinery	18,157	183,412	77,158	22,992	10,185	311,904
Farm & Industrial Machinery	161,525	566,924	218,032	282,678	47,005	1,276,164
Pipe system	60,522	187	—	1,698	37	62,444
Industrial products	18,652	5,161	556	5,572	5,759	35,700
Environment	62,813	294	242	2,839	1,314	67,502
Water & Environment	141,987	5,642	798	10,109	7,110	165,646
Other	10,189	5	7	15	—	10,216
Revenue recognized from:						
Contracts with customers	313,701	572,571	218,837	292,802	54,115	1,452,026
Other sources of revenue	1,354	48,745	—	16,906	1,009	68,014
Total	¥ 315,055	¥ 621,316	¥ 218,837	¥ 309,708	¥ 55,124	¥ 1,520,040

(Unit: millions of yen)

Six months ended June 30, 2022	Japan	North America	Europe	Asia outside Japan	Other area	Total
Farm equipment and engines	¥ 137,158	¥ 320,946	¥ 102,482	¥ 231,762	¥ 31,011	¥ 823,359
Construction machinery	17,070	120,759	59,675	14,180	9,255	220,939
Farm & Industrial Machinery	154,228	441,705	162,157	245,942	40,266	1,044,298
Pipe system	54,796	108	—	1,372	15	56,291
Industrial products	18,444	3,433	814	3,924	4,059	30,674
Environment	58,699	559	343	3,580	2,567	65,748
Water & Environment	131,939	4,100	1,157	8,876	6,641	152,713
Other	11,562	9	2	10	—	11,583
Revenue recognized from:						
Contracts with customers	297,729	445,814	163,316	254,828	46,907	1,208,594
Other sources of revenue	1,366	34,025	—	14,679	682	50,752
Total	¥ 299,095	¥ 479,839	¥ 163,316	¥ 269,507	¥ 47,589	¥ 1,259,346

Interest and insurance income calculated using the effective interest rate method, which are included in revenue recognized from other sources of revenue, were ¥49,355 million and ¥14,826 million, respectively, for the six months ended June 30, 2023, and ¥35,756 million and ¥11,078 million, respectively, for the six months ended June 30, 2022.

11. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

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

Among the shares granted under the restricted stock compensation plan for the Company's Directors and Executive Officers, contingently returnable shares are distinguished as participating equity instruments from common shares. Common shares and participating equity instruments have the same right to profit attributable to owners of the parent.

Shares of the Parent Company held by the trust in connection with the stock compensation plan have been deducted, as treasury shares, from *weighted-average number of common shares issued*.

Six months ended June 30:	2023	2022
		(Unit: millions of yen)
Profit attributable to owners of the parent	¥ 128,823	¥ 91,533
Profit attributable to participating equity instruments	—	—
Profit attributable to common shareholders	¥ 128,823	¥ 91,533
		(Unit: thousands of shares)
Weighted-average number of common shares issued	1,186,685	1,198,542
Weighted-average number of participating equity instruments	—	2
Weighted-average number of common shares outstanding	1,186,685	1,198,540

Three months ended June 30:	2023	2022
		(Unit: millions of yen)
Profit attributable to owners of the parent	¥ 59,723	¥ 40,962
Profit attributable to participating equity instruments	—	—
Profit attributable to common shareholders	¥ 59,723	¥ 40,962
		(thousands of shares)
Weighted-average number of common shares issued	1,184,202	1,197,177
Weighted-average number of participating equity instruments	—	—
Weighted-average number of common shares outstanding	1,184,202	1,197,177

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

12. DIVIDENDS

Dividends paid are as follows:

Six months ended June 30, 2023

Date of resolution	Class of shares	Dividends (millions of yen)	Dividends per common share (yen)	Record date	Effective date
The Meeting of the Board of Directors on February 14, 2023	Common shares	¥ 26,202	¥ 22.00	December 31, 2022	March 27, 2023

(Note)

The total amount of dividends includes dividends of ¥33 million for shares of Kubota Corporation held by the trust in connection with the stock compensation plan.

Six months ended June 30, 2022

Date of resolution	Class of shares	Dividends (millions of yen)	Dividends per common share (yen)	Record date	Effective date
The Meeting of the Board of Directors on February 14, 2022	Common shares	¥ 25,205	¥ 21.00	December 31, 2021	March 22, 2022

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

Financial instruments measured at fair value

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

(Unit: millions of yen)

	June 30, 2023			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at fair value through other comprehensive income:				
Equity financial assets	¥ 79,375	¥ —	¥ 3,590	¥ 82,965
Financial assets measured at fair value through profit or loss:				
Debt financial assets	35,834	—	8,843	44,677
Derivatives:				
Foreign exchange contracts	—	263	—	263
Interest swap contracts	—	145	—	145
Cross-currency interest rate swap contracts	—	2,615	—	2,615
Total	¥ 115,209	¥ 3,023	¥ 12,433	¥ 130,665
Financial liabilities:				
Financial liabilities measured at fair value through profit or loss:				
Derivatives:				
Foreign exchange contracts	¥ —	¥ 12,990	¥ —	¥ 12,990
Interest swap contracts	—	34	—	34
Cross-currency interest rate swap contracts	—	3,076	—	3,076
Total	¥ —	¥ 16,100	¥ —	¥ 16,100

(Unit: millions of yen)

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at fair value through other comprehensive income:				
Equity financial assets	¥ 65,593	¥ —	¥ 3,002	¥ 68,595
Financial assets measured at fair value through profit or loss:				
Debt financial assets	27,855	—	7,660	35,515
Derivatives:				
Foreign exchange contracts	—	9,022	—	9,022
Interest swap contracts	—	92	—	92
Cross-currency interest rate swap contracts	—	1,838	—	1,838
Total	¥ 93,448	¥ 10,952	¥ 10,662	¥ 115,062
Financial liabilities:				
Financial liabilities measured at fair value through profit or loss:				
Derivatives:				
Foreign exchange contracts	¥ —	¥ 736	¥ —	¥ 736
Interest swap contracts	—	108	—	108
Cross-currency interest rate swap contracts	—	2,146	—	2,146
Total	¥ —	¥ 2,990	¥ —	¥ 2,990

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

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

Equity financial assets and debt financial assets classified as Level 3 are unlisted equity securities, which are measured by the comparable company comparison method, using the earnings before interest and tax (EBIT) ratio (from 1.7 to 19.4) as a multiple, and by other method. As the EBIT ratio increases (decreases), the fair values on those equity financial assets increase (decrease).

Transfers between levels are recognized at the end of the reporting period. There were no significant transfers between levels for financial instruments held at the end of each reporting period.

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

(Unit: millions of yen)

Six months ended June 30:	2023		2022	
Balance at the beginning of the period	¥	10,662	¥	10,018
Gains or losses				
Profit or loss (Note 1)		490		767
Other comprehensive income (Note 2)		587		(1,182)
Purchases		1,026		121
Sales		—		(20)
Others		(332)		—
Balance at the end of the period	¥	12,433	¥	9,704

(Notes)

- Gains or losses are recognized as *finance income* or *finance costs* in the condensed consolidated statement of profit or loss. Of the gains or losses recognized in profit or loss, the amounts related to financial instruments held at June 30, 2023 and 2022, were ¥490 million and ¥767 million, respectively.
- Gains or losses are recognized as *net change in fair value of financial assets measured at fair value through other comprehensive income* in the condensed consolidated statement of comprehensive income.

Financial instruments measured at amortized cost

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

(Unit: millions of yen)

	June 30, 2023		December 31, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Finance receivables:				
Retail finance receivables	¥ 1,454,510	¥ 1,345,851	¥ 1,290,077	¥ 1,198,251
Finance lease receivables	424,389	462,997	394,437	449,136
Long-term trade accounts receivable	70,585	74,640	65,608	69,441
Debt financial assets	52,405	52,415	44,132	42,892
Written put option liabilities over noncontrolling interests	3,629	3,629	3,238	3,238
Bonds and borrowings	1,942,890	1,897,820	1,611,105	1,556,033

The fair value of finance receivables, long-term trade accounts receivable, and bonds and borrowings are stated at the present value of future cash flows discounted by the current market interest rate and classified as Level 2. Long-term trade accounts receivables above include the current portion included in trade receivables in the condensed consolidated statement of financial position.

The fair value of debt financial assets is measured using quoted prices for identical assets in active markets and classified as Level 1.

The fair value of written put option liabilities over noncontrolling interests is the present value of estimated future cash flows discounted using a discount rate that takes into account inherent risks and classified as Level 3.

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

14. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments

Commitments for acquisition of property, plant, and equipment were ¥102,789 million and ¥74,003 million at June 30, 2023, and December 31, 2022, respectively.

Legal Proceedings

Since May 2007, the Company has been subject to 62 asbestos-related lawsuits in Japan, which were filed against the Company or defendant parties consisting of Japanese government and asbestos-related companies, including the Company.

Of these asbestos-related lawsuits, 18 were aggregated into six lawsuits and the Supreme Court has concluded proceedings and ruled that the government and a part of asbestos-related companies were liable for compensation while all claims against the Company were rejected.

Other 44 asbestos-related lawsuits are still ongoing, and the total claims for compensation related to 667 construction workers who suffered from asbestos-related diseases aggregate to ¥23,213 million. Of these ongoing lawsuits, five first instance judgments were rendered for 17 lawsuits. The first instance ordered the Company to pay compensation damages of ¥2 million under the judgment for one lawsuit, and the other four lawsuits were decided in favor of the Company. Of these five lawsuits, three are being heard on the second instance. The court in the second instance rendered a judgment to support the opinion of the first instance for one of the two lawsuits that were decided in favor of the Company. This lawsuit has been appealed to a higher court.

The Company continues to review the status of lawsuits, including consultation with a third-party legal counsel regarding the progress of lawsuits and the likely final outcome. However, the Company believes that it is currently unable to predict the ultimate outcome of lawsuits.

The Company does not have any cost-sharing arrangements with other potentially responsible parties, including Japanese government.

Matters Related to the Health Hazards of Asbestos

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

In an effort to estimate future asbestos-related expenditures, the Company has considered all available data, including a time series data of historical claims and payments, the incidence rate of asbestos-related disease, and other public information related to asbestos-related disease. However, since the health hazards of asbestos tend to have a longer incubation period, reliable statistics to estimate the incidence rate of asbestos-related disease are not available to the Company. Furthermore, there are no cases where final conclusions are made to the cause and the incidence rate of asbestos-related health hazard at other asbestos-related companies. Hence, the Company believes there is no information to determine the range of the final possible outcome in the future. For these reasons, the Company believes it is not possible to reliably estimate the amount of its ultimate liability, and the Company does not accrue on this contingency.

The Law for the Relief of Patients Suffering from Asbestos-Related Diseases (the "New Asbestos Law") was established by the Japanese government in March 2006. The purpose of this law is to provide prompt relief to persons who sustain asbestos-related diseases but are not relieved by compensation for accidents under workmen's compensation insurance. Contributions under this law are made by the Japanese government, local authorities and business entities. Contributions by business entities commenced from the year ended March 31, 2008, and these include special contributions by business entities which operated a business closely to asbestos.

The Company accrues asbestos-related expenses when the Company receives claims on voluntary consolation payment, relief payment, compensation for current and former employees, and the special contribution in accordance with the New Asbestos Law. The accrued balances for asbestos-related expenses are ¥193 million and ¥138 million at June 30, 2023, and December 31, 2022, respectively. The asbestos-related expenses recognized for the six months ended June 30, 2023 and 2022, were ¥414 million and ¥222 million, respectively.

15. SUBSEQUENT EVENTS

Retirement of Treasury Shares

The Company has resolved at the Meeting of the Board of Directors held on July 18, 2023, to retire treasury shares pursuant to Article 178 of the Companies Act and retired treasury shares as follows:

Class of shares retired	Number of shares retired (share)	Amount of shares retired (millions of yen)	Date of retirement
Common shares	9,930,000	¥ 19,999	July 31, 2023

Acquisition of Treasury Shares

Pursuant to the provisions of Articles of Incorporation under Article 165, paragraph 2 of the Companies Act of Japan, the Company has resolved at the Meeting of the Board of Directors held on August 4, 2023, to acquire up to 6.0 million outstanding common shares of the Parent Company from the market during the period from August 5, 2023, to December 18, 2023, at an acquisition cost not exceeding ¥10,000 million.

16. APPROVAL OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved on August 9, 2023, by Yuichi Kitao, President and Representative Director of the Parent Company, and Masato Yoshikawa, Representative Director and Executive Vice President, General Manager of Planning and Control Headquarters of the Parent Company.

2. Other

The Company has resolved at the Meeting of the Board of Directors held on August 4, 2023, the interim dividend as follows:

Record date	Dividends per common share (yen)	Dividends (millions of yen)	Effective date of claim of payment and commencement of payment
June 30, 2023	¥ 24.00	¥ 28,346	September 1, 2023

(Note)

The total amount of dividends includes dividends of ¥32 million for shares of Kubota Corporation held by the trust in connection with the stock compensation plan.

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, 2023
[Company Name]	Kabushiki Kaisha Kubota
[Company Name in English]	Kubota Corporation
[Title and Name of Representative]	Yuichi Kitao, President and Representative Director
[Title and Name of CFO]	Masato Yoshikawa, Representative Director and Executive Vice President, General Manager of Planning and Control Headquarters
[Address of Head Office]	2-47, Shikitsuhigashi 1-chome, Naniwa-ku, Osaka, JAPAN
[Place Where Available for Public Inspection]	Kubota Corporation, Tokyo Head Office (1-3, Kyobashi 2-chome, Chuo-ku, Tokyo, JAPAN) Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabuto-cho, Chuo-ku, Tokyo, JAPAN)

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

Yuichi Kitao, President and Representative Director, and Masato Yoshikawa, Representative Director and Executive Vice President, General Manager of Planning and Control Headquarters, confirmed that statements contained in the Quarterly Report of Kubota Corporation for the second quarter of the 134th business term (from April 1, 2023 to June 30, 2023) were adequate under the Financial Instruments and Exchange Act of Japan.

2. Special Notes

Not applicable.