[Translation]

Quarterly Report

(The First Quarter of the 128th Business Term)
From January 1, 2017 to March 31, 2017

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

Kubota Corporation

TABLE OF CONTENTS

1. Overview of the Company 1

1. Key Financial Data 1

2. Description of Business 1

2. Business Overview 2

1. Risk Factors 2

2. Material Contracts 2

3. Analysis of Consolidated Financial Condition, Results of Operations, and Cash Flows 2

3. Information on Kubota Corporation 5

1. Information on the Shares of Kubota Corporation 5

2. Changes in Directors and Senior Management 7

4. Financial Information 8

1. Consolidated Financial Statements 8

2. Other 30

Confirmation Letter

COVER

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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, 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

(¥ in millions, except per share amounts)

	Three months ended March 31, 2017	Three months ended March 31, 2016	Year ended December 31, 2016
Revenues	¥ 402,823	¥ 405,369	¥ 1,596,091
Income before income taxes and equity in net income of affiliated companies	40,929	54,333	196,971
Net income attributable to Kubota Corporation	27,584	36,353	132,485
Comprehensive income (loss)	9,933	(8,608)	112,599
Kubota Corporation shareholders' equity	1,183,378	1,112,316	1,198,761
Total equity	1,260,448	1,185,300	1,271,925
Total assets	2,598,757	2,449,843	2,670,582
Net income attributable to Kubota Corporation per common share:			
Basic	22.25	29.21	106.58
Diluted	—	—	—
Kubota Corporation shareholders' equity ratio (%)	45.5	45.4	44.9
Net cash (used in) provided by operating activities	(4,871)	(3,515)	184,978
Net cash used in investing activities	(14,378)	(17,927)	(167,525)
Net cash (used in) provided by financing activities	(16,695)	(1,115)	11,364
Cash and cash equivalents, end of period	131,768	118,752	169,416

(Notes)

1. The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").
2. Revenues do not include consumption taxes.
3. Amounts less than presentation units are rounded.
4. "Net income attributable to Kubota Corporation per common share—Diluted" is not stated because Kubota Corporation did not have potentially dilutive common shares that were outstanding during the period.

2. Description of Business

There were no material changes in the Company's business during the three months ended March 31, 2017, nor were there any material changes in its subsidiaries and affiliated companies.

2. Business Overview

1. Risk Factors

For the three months ended March 31, 2017, any events or facts described in “2. Business Overview” or “4. Financial Information,” that might have a material influence on investors’ investment decisions, were not identified. There was no material change in the information described in the Risk Factors section of the Annual Securities Report for the year ended December 31, 2016.

In addition, there are no material concerns or events as of March 31, 2017.

2. Material Contracts

There was no material contract which was decided to be concluded or concluded for the three months ended March 31, 2017.

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

(1) Analysis of Results of Operations

For the three months ended March 31, 2017, revenues of the Company decreased by ¥2.5 billion (0.6%) from the corresponding period in the prior year to ¥402.8 billion.

Domestic revenues decreased by ¥9.2 billion (5.8%) from the corresponding period in the prior year to ¥149.8 billion due to lower revenues in all segments; Farm & Industrial Machinery; Water & Environment; and Other.

Overseas revenues increased by ¥6.7 billion (2.7%) from the corresponding period in the prior year to ¥253.0 billion. While revenues in Water & Environment fell due to a decrease in sales of ductile iron pipes, revenues in Farm & Industrial Machinery rose owing to an increase in sales in China and the positive effect of a business acquisition in the prior year.

Operating income decreased by ¥18.1 billion (31.5%) from the corresponding period in the prior year to ¥39.4 billion because of significantly increased provisions for sales promotion expenses and the negative effect of the fluctuation in unrealized profits on inventories held by sales subsidiaries. Income before income taxes and equity in net income of affiliated companies decreased by ¥13.4 billion (24.7%) from the corresponding period in the prior year to ¥40.9 billion since an improvement in other income could not compensate for a decrease in operating income. Income taxes were ¥11.5 billion and net income decreased by ¥9.1 billion (23.5%) from the corresponding period in the prior year to ¥29.7 billion. Net income attributable to Kubota Corporation decreased by ¥8.8 billion (24.1%) from the corresponding period in the prior year to ¥27.6 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 increased by 3.1% from the corresponding period in the prior year to ¥312.4 billion and accounted for 77.6% of consolidated revenues.

Domestic revenues decreased by 2.6% from the corresponding period in the prior year to ¥68.8 billion. This decrease resulted mainly from a decrease in sales of tractors due to continuing stagnation caused by the strengthening of emission regulations.

Overseas revenues increased by 4.8% from the corresponding period in the prior year to ¥243.6 billion. In North America, the positive effects of a business acquisition almost offset a decrease in sales of construction machinery due to the adverse reaction to the mass sales of new product started in the prior year and lower sales of mid-scale tractors. In Europe, despite the negative impact of yen appreciation, sales of tractors, construction machinery, and engines were strong, and sales from the implements business in the agriculture-related market increased as well. Revenues in Asia outside Japan were higher than in the prior year. Sales of tractors and combines in Thailand were weak due to the stagnation of rice prices, while sales of rice transplanters, construction machinery, and engines in China significantly increased.

Operating income in Farm & Industrial Machinery decreased by 34.6% from the corresponding period in the prior year to ¥31.7 billion as a result of significantly increased provisions for sales promotion expenses and the negative effect of the fluctuation in unrealized profits on inventories held by sales subsidiaries.

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 12.4% from the corresponding period in the prior year to ¥82.7 billion and accounted for 20.5% of consolidated revenues.

Domestic revenues decreased by 9.0% from the corresponding period in the prior year to ¥73.4 billion. Revenues from pipe-related products decreased due to lower revenues from ductile iron pipes, pumps, and the construction business, as well as weak sales of environment-related products and social infrastructure-related products.

Overseas revenues decreased by 32.2% from the corresponding period in the prior year to ¥9.3 billion. Revenues from exporting ductile iron pipes to the Middle East largely dropped, mainly due to financial deterioration in Middle East countries.

Operating income in Water & Environment increased by 4.8% from the corresponding period in the prior year to ¥14.2 billion since the positive effect of reduced fixed costs exceeded the negative impact of lower revenues in domestic and overseas markets.

3) Other

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

Revenues in this segment decreased by 1.3% from the corresponding period in the prior year to ¥7.8 billion and accounted for 1.9% of consolidated revenues.

Operating income in Other decreased by 26.0% from the corresponding period in the prior year to ¥0.8 billion.

(2) Analysis of Financial Condition

Total assets at March 31, 2017 were ¥2,598.8 billion, a decrease of ¥71.8 billion from the prior fiscal year-end.

The yen value of assets denominated in foreign currencies, such as short-term and long-term finance receivables, decreased due to the impact of yen appreciation from the prior fiscal year-end. Cash and cash equivalents decreased as well.

Trade notes payable and deferred tax liabilities, which are included in other long-term liabilities, significantly decreased. In addition, the aggregate amount of interest-bearing debt, which is composed of short-term borrowings, current portion of long-term debt, and long-term debt, decreased due to the impact of yen appreciation.

Equity decreased as the accumulation of retained earnings could not compensate for the deterioration in accumulated other comprehensive income, mainly due to fluctuations in exchange rates. The shareholders' equity ratio was at 45.5% as of the end of the period, 0.6 percent higher than at the prior fiscal year-end.

(3) Analysis of Cash Flows

Net cash used in operating activities during the three months ended March 31, 2017 was ¥4.9 billion, an increase of ¥1.4 billion in net cash outflow compared with the corresponding period in the prior year. This increase resulted from a decline in net income while net cash outflow related to the changes in working capital, including notes and accounts receivable, and trade notes and accounts payable, decreased.

Net cash used in investing activities was ¥14.4 billion, a decrease of ¥3.5 billion in net cash outflow compared with the corresponding period in the prior year. This decrease was mainly due to an increase in proceeds from sales of investments.

Net cash used in financing activities was ¥16.7 billion, an increase of 15.6 billion in net cash outflow compared with the corresponding period in the prior year, which mainly resulted from a decrease in net cash inflow from borrowings.

As a result of the above, and after taking into account the effects of exchange rate changes, cash and cash equivalents at March 31, 2017 were ¥131.8 billion, a decrease of ¥37.6 billion from the beginning of the current fiscal year.

(4) Issues to Address on Business and Finance

There was no material change in the outstanding issues for the Company to address for the three months ended March 31, 2017, and no additional issues arose during the period.

(5) Research and Development

The Company's research and development expenses for the three months ended March 31, 2017 were ¥11.0 billion. There was no material change in the Company's research and development activities during the three months ended March 31, 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) (March 31, 2017)	Number of shares issued as of filing date (shares) (May 12, 2017)	Stock exchange on which Kubota Corporation is listed	Description
Common shares	1,241,119,180	1,241,154,216	Tokyo Stock Exchange, Inc. (the first section)	The number of shares per one unit of shares is 100 shares.
Total	1,241,119,180	1,241,154,216	—	—

(Notes)

On April 21, 2017, 35,036 shares were newly issued as consideration for ¥60 million of monetary remuneration under the restricted stock compensation plan.

(2) Information on Share Acquisition Rights

Not applicable

(3) Information on Moving Strike Convertible Bonds

Not applicable

(4) Information on Shareholder Rights Plans

Not applicable

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

Date	Changes in the total number of issued shares (thousands of shares)	Balance of the total number of issued shares (thousands of shares)	Changes in common stock (¥ in millions)	Balance of common stock (¥ in millions)	Changes in capital reserve (¥ in millions)	Balance of capital reserve (¥ in millions)
From: January 1, 2017 To: March 31, 2017	—	1,241,119	¥ —	¥ 84,070	¥ —	¥ 73,057

(6) Major Shareholders

Not applicable

(7) Information on Voting Rights

Information on voting rights on the shareholders' list as of December 31, 2016 is stated in this sub-section since Kubota Corporation could not identify the number of voting rights as of March 31, 2017 due to the lack of information.

1) Issued Shares

(As of December 31, 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:	24,900	—	—
	(Crossholding stock) Common shares:	829,700		
Shares with full voting rights (others)	Common shares:	1,240,001,500	12,400,015	—
Shares less than one unit	Common shares:	263,080	—	Shares less than one unit (100 shares)
Number of issued shares		1,241,119,180	—	—
Total number of voting rights		—	12,400,015	—

(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 December 31, 2016)

Name of shareholder	Address	Number of shares held under own name (shares)	Number of shares held under the names of others (shares)	Total shares held (shares)	Ownership percentage to the total number of issued shares (%)
(Treasury stock) Kubota Corporation	2-47, Shikitsuhigashi 1-chome, Naniwa-ku, Osaka, JAPAN	24,900	—	24,900	0.00
(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
Fukuoka Kyushu 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	—	854,600	—	854,600	0.06

2. Changes in Directors and Senior Management

There has been no change in Directors nor senior management since the filing date of the Annual Securities Report for the 127th business term to March 31, 2017.

(Reference Information)

Kubota Corporation adopted the Executive Officer System. There has been no change in the Executive Officers who do not hold the post of Director since the filing date of the Annual Securities Report for the 127th business term to March 31, 2017.

4. Financial Information

1. Consolidated Financial Statements

Kubota Corporation and its Subsidiaries

(1) Consolidated Balance Sheets

(¥ in millions)

	March 31, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	¥ 131,768	¥ 169,416
Notes and accounts receivable:		
Trade notes	71,821	75,798
Trade accounts	569,544	559,488
Less: Allowance for doubtful notes and accounts receivable	(2,558)	(2,472)
Short-term finance receivables—net	234,025	244,184
Inventories	363,946	356,180
Other current assets	112,935	160,480
Total current assets	1,481,481	1,563,074
Investments and long-term finance receivables:		
Investments in and loans receivable from affiliated companies	27,474	28,517
Other investments	135,074	140,667
Long-term finance receivables—net	498,025	508,289
Total investments and long-term finance receivables	660,573	677,473
Property, plant, and equipment:		
Land	83,673	82,104
Buildings	298,485	292,898
Machinery and equipment	492,983	491,040
Construction in progress	11,542	17,378
Total property, plant, and equipment	886,683	883,420
Less: Accumulated depreciation	(575,831)	(569,189)
Net property, plant, and equipment	310,852	314,231
Other assets:		
Goodwill and intangible assets—net	44,091	46,057
Long-term trade accounts receivable	39,657	39,852
Other	62,863	30,658
Less: Allowance for doubtful non-current receivables	(760)	(763)
Total other assets	145,851	115,804
Total assets	¥ 2,598,757	¥ 2,670,582

(¥ in millions)	March 31, 2017	December 31, 2016
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term borrowings	¥ 184,256	¥ 193,883
Trade notes payable	127,805	157,471
Trade accounts payable	111,543	98,388
Advances received from customers	8,086	6,927
Notes and accounts payable for capital expenditures	19,212	24,321
Accrued payroll costs	42,477	35,902
Accrued expenses	63,293	64,662
Income taxes payable	17,541	19,650
Other current liabilities	83,939	90,197
Current portion of long-term debt	165,222	145,212
Total current liabilities	823,374	836,613
Long-term liabilities:		
Long-term debt	454,648	478,894
Accrued retirement and pension costs	12,135	12,091
Other long-term liabilities	48,152	71,059
Total long-term liabilities	514,935	562,044
Commitments and contingencies		
Equity:		
Kubota Corporation shareholders' equity:		
Common stock,		
authorized 1,874,700,000 shares and issued 1,241,119,180 shares at March 31, 2017 and December 31, 2016	84,070	84,070
Capital surplus	84,843	84,605
Legal reserve	19,539	19,539
Retained earnings	969,130	961,403
Accumulated other comprehensive income	29,199	49,336
Treasury stock (2,118,178 shares and 415,691 shares at March 31, 2017 and December 31, 2016, respectively), at cost	(3,403)	(192)
Total Kubota Corporation shareholders' equity	1,183,378	1,198,761
Non-controlling interests	77,070	73,164
Total equity	1,260,448	1,271,925
Total liabilities and equity	¥ 2,598,757	¥ 2,670,582

See notes to consolidated financial statements.

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

Consolidated Statements of Income

(¥ in millions, except per share amounts)

For the three months ended March 31:		2017		2016
Revenues	¥	402,823	¥	405,369
Cost of revenues		291,675		278,476
Selling, general, and administrative expenses		71,775		69,325
Other operating expenses —net		23		116
Operating income		39,350		57,452
Other income (expenses):				
Interest and dividend income		1,115		974
Interest expense		(220)		(165)
Gain on sales of securities—net		2,580		313
Foreign exchange gain (loss)—net		1,106		(1,276)
Other—net		(3,002)		(2,965)
Other income (expenses)—net		1,579		(3,119)
Income before income taxes and equity in net income of affiliated companies		40,929		54,333
Income taxes:				
Current		17,491		19,667
Deferred		(6,024)		(4,122)
Total income taxes		11,467		15,545
Equity in net income of affiliated companies		217		14
Net income		29,679		38,802
Less: Net income attributable to non-controlling interests		2,095		2,449
Net income attributable to Kubota Corporation	¥	27,584	¥	36,353
Net income attributable to Kubota Corporation per common share:				
Basic	¥	22.25	¥	29.21

Consolidated Statements of Comprehensive Income (Loss)

(¥ in millions)

For the three months ended March 31:		2017		2016
Net income	¥	29,679	¥	38,802
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments		(17,234)		(35,975)
Unrealized losses on securities		(2,986)		(11,110)
Pension liability adjustments		474		(325)
Total other comprehensive loss		(19,746)		(47,410)
Comprehensive income (loss)		9,933		(8,608)
Less: Comprehensive income attributable to non-controlling interests		2,486		1,070
Comprehensive income (loss) attributable to Kubota Corporation	¥	7,447	¥	(9,678)

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, 2016	1,240,703	¥ 84,070	¥ 84,605	¥ 19,539	¥ 961,403	¥ 49,336	¥ (192)	¥ 73,164	¥ 1,271,925
Net income					27,584			2,095	29,679
Other comprehensive income (loss)						(20,137)		391	(19,746)
Cash dividends paid to Kubota Corporation shareholders (¥16.00 per common share)					(19,857)				(19,857)
Cash dividends paid to non-controlling interests								(45)	(45)
Purchases and sales of treasury stock	(1,702)						(3,211)		(3,211)
Changes in ownership interests in subsidiaries			238					1,465	1,703
Balance at March 31, 2017	1,239,001	¥ 84,070	¥ 84,843	¥ 19,539	¥ 969,130	¥ 29,199	¥(3,403)	¥ 77,070	¥ 1,260,448
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					36,353			2,449	38,802
Other comprehensive loss						(46,031)		(1,379)	(47,410)
Cash dividends paid to Kubota Corporation shareholders (¥14.00 per common share)					(17,428)				(17,428)
Cash dividends paid to non-controlling interests								(945)	(945)
Purchases and sales of treasury stock	(1)						(1)		(1)
Changes in ownership interests in subsidiaries			(317)			(570)		(5,389)	(6,276)
Balance at March 31, 2016	1,244,503	¥ 84,070	¥ 87,521	¥ 19,539	¥ 888,694	¥ 32,691	¥ (199)	¥ 72,984	¥ 1,185,300

See notes to consolidated financial statements.

(4) Consolidated Statements of Cash Flows

(¥ in millions)

For the three months ended March 31:	2017	2016
Operating activities:		
Net income	¥ 29,679	¥ 38,802
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	11,127	9,842
Gain on sales of securities—net	(2,580)	(313)
Deferred income taxes	(6,024)	(4,122)
Changes in assets and liabilities:		
Increase in notes and accounts receivable	(14,497)	(25,036)
Increase in inventories	(13,241)	(12,035)
Decrease in other current assets	4,579	9,410
Decrease in trade notes and accounts payable	(14,904)	(35,985)
(Decrease) increase in income taxes payable	(1,933)	11,795
Increase in other current liabilities	2,805	4,378
Decrease in accrued retirement and pension costs	(571)	(731)
Other	689	480
Net cash used in operating activities	(4,871)	(3,515)
Investing activities:		
Purchases of fixed assets	(12,077)	(12,032)
Proceeds from sales of property, plant, and equipment	543	119
Proceeds from sales and redemption of investments	3,914	456
Increase in finance receivables	(84,939)	(74,842)
Collection of finance receivables	87,289	79,605
Net increase in short-term loans receivable from affiliated companies	(1,968)	(3,064)
Net increase in time deposits	(4,447)	(6,510)
Other	(2,693)	(1,659)
Net cash used in investing activities	(14,378)	(17,927)
Financing activities:		
Proceeds from issuance of long-term debt	56,681	32,972
Repayments of long-term debt	(49,148)	(33,144)
Net (decrease) increase in short-term borrowings	(1,148)	23,731
Payments of cash dividends	(19,857)	(17,428)
Purchases of treasury stock	(3,211)	(1)
Purchases of non-controlling interests	—	(6,300)
Other	(12)	(945)
Net cash used in financing activities	(16,695)	(1,115)
Effect of exchange rate changes on cash and cash equivalents	(1,704)	(4,977)
Net decrease in cash and cash equivalents	(37,648)	(27,534)
Cash and cash equivalents, beginning of period	169,416	146,286
Cash and cash equivalents, end of period	¥ 131,768	¥ 118,752

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

The Company manufactures its products not only in Japan, but also in overseas countries, including the United States, France, 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").

Changes in Accounting Policies

On January 1, 2017, the Company adopted a new accounting standard related to simplifying the measurement of inventory. This standard simplifies the subsequent measurement of inventory by requiring the entities to measure inventory at the lower of cost or net realizable value. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

On January 1, 2017, the Company adopted a new accounting standard related to the classification of deferred taxes on the consolidated balance sheets. This standard requires that deferred tax assets and deferred tax liabilities be classified as non-current in a classified statement of financial position. The Company did not retrospectively adjust the consolidated financial statements. The carrying amounts of the current portion of deferred tax assets and deferred tax liabilities included in the Company's consolidated balance sheet at December 31, 2016 were ¥46,798 million and ¥160 million, respectively.

A Change in Accounting Estimate

Previously, the Company used the declining-balance method for calculating the depreciation of property, plant, and equipment; however, effective from the beginning of the current fiscal year, the Company changed its depreciation method to the straight-line method. Based on the mid-to-long term management plan, the Company has been accelerating its expansion of overseas production and R&D. In light of this expansion, the Company examined how its property, plant, and equipment would be used and concluded that it was reasonable to change its depreciation method to the straight-line method since its property, plant, and equipment would be stably and continuously used in the foreseeable future. In accordance with Accounting Standards Codification 250, "Accounting Changes and Error Corrections," the change in depreciation method represents a change in accounting estimate affected by a change in accounting principle and, therefore, it is applied prospectively. This change resulted in an increase in net income attributable to Kubota Corporation and net income attributable to Kubota Corporation per common share—basic for the three months ended March 31, 2017 by ¥145 million and ¥0.12, respectively, as compared to amounts computable under the previous method.

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)

	March 31, 2017	December 31, 2016
Finished products	¥ 234,951	¥ 220,510
Spare parts	47,417	44,885
Work in process	38,632	46,660
Raw materials and supplies	42,946	44,125
	¥ 363,946	¥ 356,180

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)

	March 31, 2017				December 31, 2016			
	Cost	Fair value	Gross unrealized holding gains	Gross unrealized holding losses	Cost	Fair value	Gross unrealized holding gains	Gross unrealized holding losses
Available-for-sale securities:								
Equity securities of financial institutions	¥ 19,186	¥ 43,771	¥ 24,585	¥ —	¥ 20,017	¥ 48,435	¥ 28,418	¥ —
Other equity securities	14,484	87,776	73,292	—	14,833	88,582	73,749	—
	¥ 33,670	¥ 131,547	¥ 97,877	¥ —	¥ 34,850	¥ 137,017	¥102,167	¥ —

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

(¥ in millions)

For the three months ended March 31:	2017	2016
Proceeds from sales of available-for-sale securities	¥ 3,773	¥ 417
Gross realized gains	2,580	313
Gross realized losses	—	—

Investments in nonmarketable equity securities of ¥3,527 million and ¥3,650 million were recorded in other investments on the consolidated balance sheets at March 31, 2017 and December 31, 2016, respectively. Investments in nonmarketable equity securities for which there is no readily determinable fair value are accounted for using the cost method. Impairment was not recognized on such investments in nonmarketable equity securities because the Company did not identify any events or changes in circumstances that may have had a significant adverse effect on the fair value of those investments for the three months ended March 1, 2017 and 2016.

4. SALES FINANCING RECEIVABLES AND OTHER LOANS RECEIVABLE

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 and construction machinery 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 amortized cost, less any allowance for credit losses.

(2) Finance lease receivables

The Company also provides finance leases in Japan and Asia outside Japan. Finance lease receivables in Japan relate to the Company’s products leased to individual and corporate end-users. Finance lease receivables in Asia outside Japan relate to the Company's farm equipment and construction machinery products leased to individual and corporate end-users. These receivables are recorded at the aggregate of lease payments receivable plus the estimated residual value of the leased property, less unearned income and allowance for credit losses. There was no unguaranteed residual value related to finance leases at March 31, 2017.

(3) Long-term trade accounts receivable

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

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

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

(Credit Quality Indicator)

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

Rank A – These receivables are collected on schedule under their terms. They are not likely to incur losses arising from customers' inability to repay and the Company expects to collect all amounts due.

Rank B – These receivables require management's attention to potential losses, but are not categorized as rank C. Such receivables do not individually indicate that it is probable that losses will be incurred arising from customers' inability to repay.

Rank C – The Company becomes aware of a customer's inability to repay, such as a customer's long-term nonperformance, a bankruptcy filing, or deterioration in a customer's results of operations or financial position. In such cases, it is probable that losses will be incurred arising from a customer's inability to repay.

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

(¥ in millions)

	Retail finance receivables		Finance lease receivables		Long-term trade accounts receivable
Credit risk profile by internally assigned rank:	North America	Other areas	Japan	Asia outside Japan	Japan
At March 31, 2017:					
Rank A	¥ 527,267	¥ 20,576	¥ 8,150	¥ 148,591	¥ 66,911
Rank B	25,716	—	285	24,300	2,403
Rank C	77	208	—	—	33
Total	¥ 553,060	¥ 20,784	¥ 8,435	¥ 172,891	¥ 69,347
At December 31, 2016:					
Rank A	¥ 536,358	¥ 19,867	¥ 7,919	¥ 151,772	¥ 67,199
Rank B	33,840	—	287	24,848	2,297
Rank C	100	28	—	—	34
Total	¥ 570,298	¥ 19,895	¥ 8,206	¥ 176,620	¥ 69,530

(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 March 31, 2017:								
Retail finance receivables	North America	¥ 22,643	¥ 1,513	¥ 508	¥ 1,129	¥ 25,793	¥ 527,267	¥ 553,060
Retail finance receivables	Other areas	—	—	208	—	208	20,576	20,784
Finance lease receivables	Japan	126	19	20	99	264	8,171	8,435
Finance lease receivables	Asia outside Japan	5,373	2,738	3,779	12,245	24,135	148,756	172,891
Long-term trade accounts receivable	Japan	438	257	455	981	2,131	67,216	69,347
Total		¥ 28,580	¥ 4,527	¥ 4,970	¥ 14,454	¥ 52,531	¥ 771,986	¥ 824,517
At December 31, 2016:								
Retail finance receivables	North America	¥ 29,929	¥ 2,439	¥ 628	¥ 943	¥ 33,939	¥ 536,359	¥ 570,298
Retail finance receivables	Other areas	—	—	6	21	27	19,868	19,895
Finance lease receivables	Japan	124	24	25	97	270	7,936	8,206
Finance lease receivables	Asia outside Japan	7,000	3,206	2,167	12,303	24,676	151,944	176,620
Long-term trade accounts receivable	Japan	949	189	90	803	2,031	67,499	69,530
Total		¥ 38,002	¥ 5,858	¥ 2,916	¥ 14,167	¥ 60,943	¥ 783,606	¥ 844,549

(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 a 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 March 31, 2017 and December 31, 2016, amounted to ¥1,129 million and ¥943 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; however these receivables are charged off against the allowance for doubtful accounts and credit losses when payments are no longer expected to be received.

(Troubled Debt Restructuring and Impaired Loans)

The amounts of debts restructured or impaired loans were not material for the three months ended March 31, 2017 and for the year ended December 31, 2016.

Loans Receivable from Affiliated Companies

The Company finances loans to affiliated companies mainly through group financing and records such loans receivable from affiliated companies at the principal amounts on the consolidated balance sheets. The amounts of these loans receivable from affiliated companies were ¥8,061 million and ¥6,105 million at March 31, 2017 and December 31, 2016, respectively, and such amounts are recorded in other current assets and investments in and loans receivable 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 loans receivable 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 three months ended March 31, 2017 and for the year ended December 31, 2016, these loans receivable are expected to be fully collectible by the Company. The credit risk of these loans receivable is primarily developed from the borrowers' business environment, such as the market demand for farm equipment products.

Other Receivables

The amounts of other receivables and related allowance were not material for the three months ended March 31, 2017 and for the year ended December 31, 2016, respectively.

5. ALLOWANCE FOR DOUBTFUL ACCOUNTS AND CREDIT LOSSES

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

The allowance for doubtful accounts and credit losses on receivables which will probably not be collected is maintained at a level that is adequate to cover probable losses based on a combination of various factors, such as customers' ability to repay and collateral values. The allowance for smaller-balance homogeneous receivables is collectively evaluated using reserve rates, which are calculated depending on the period past due, reflecting the collection status of these receivables, historical credit loss experience, economic trends and other factors. Historical collection trends, as well as prevailing and anticipated economic conditions, are routinely monitored by management, and any required adjustment to the allowance is reflected in current operations. Loans receivable from affiliated companies are individually evaluated based on the relevant information, such as historical credit loss experiences 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 were ¥543 million and ¥528 million at March 31, 2017 and December 31, 2016, 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 three months ended March 31, 2017:	Retail finance receivables	Finance lease receivables	Long-term trade accounts receivable	Total
Balance at beginning of period	¥ 1,023	¥ 21,523	¥ 356	¥ 22,902
Provision	210	850	21	1,081
Charge-offs	(232)	(371)	—	(603)
Recoveries	11	—	—	11
Other	(27)	133	—	106
Balance at end of period	¥ 985	¥ 22,135	¥ 377	¥ 23,497
Individually evaluated for impairment	285	—	33	318
Collectively evaluated for impairment	700	22,135	344	23,179
Recorded Investments at March 31, 2017:				
Balance at end of period	¥ 573,844	¥ 181,326	¥ 69,347	¥ 824,517
Individually evaluated for impairment	285	—	33	318
Collectively evaluated for impairment	573,559	181,326	69,314	824,199

(¥ in millions)

Allowance for doubtful accounts and credit losses for the three months ended March 31, 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	310	1,225	20	1,555
Charge-offs	(317)	(199)	—	(516)
Recoveries	5	—	—	5
Other	(38)	(869)	—	(907)
Balance at end of period	¥ 652	¥ 19,102	¥ 360	¥ 20,114
Individually evaluated for impairment	126	—	55	181
Collectively evaluated for impairment	526	19,102	305	19,933
Recorded Investments at March 31, 2016:				
Balance at end of period	¥ 504,837	¥ 177,369	¥ 68,351	¥ 750,557
Individually evaluated for impairment	126	—	55	181
Collectively evaluated for impairment	504,711	177,369	68,296	750,376

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 loans receivable from affiliated companies for the three months ended March 31, 2017 and 2016.

6. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

(¥ in millions)

		Fair value			
	Carrying value	Level 1	Level 2	Level 3	Total
At March 31, 2017:					
Financial assets:					
Finance receivables—net	¥ 572,859	¥ —	¥ 562,929	¥ —	¥ 562,929
Long-term trade accounts receivable	68,970	—	74,045	—	74,045
Financial liabilities:					
Long-term debt	(617,422)	—	(608,103)	—	(608,103)
At December 31, 2016:					
Financial assets:					
Finance receivables—net	¥ 589,170	¥ —	¥ 579,710	¥ —	¥ 579,710
Long-term trade accounts receivable	69,174	—	74,366	—	74,366
Financial liabilities:					
Long-term debt	(621,476)	—	(612,453)	—	(612,453)

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 lease receivables. 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 March 31, 2017:				
Assets:				
Available-for-sale securities:				
Equity securities of financial institutions	¥ 43,771	¥ —	¥ —	¥ 43,771
Other equity securities	87,776	—	—	87,776
Derivatives:				
Foreign exchange contracts	—	952	—	952
Interest rate swap contracts	—	27	—	27
Cross-currency interest rate swap contracts	—	3,481	—	3,481
Total assets	¥ 131,547	¥ 4,460	¥ —	¥ 136,007
Liabilities:				
Derivatives:				
Foreign exchange contracts	¥ —	¥ 309	¥ —	¥ 309
Interest rate swap contracts	—	208	—	208
Cross-currency interest rate swap contracts	—	687	—	687
Total liabilities	¥ —	¥ 1,204	¥ —	¥ 1,204
At December 31, 2016:				
Assets:				
Available-for-sale securities:				
Equity securities of financial institutions	¥ 48,435	¥ —	¥ —	¥ 48,435
Other equity securities	88,582	—	—	88,582
Derivatives:				
Foreign exchange contracts	—	45	—	45
Cross-currency interest rate swap contracts	—	6,964	—	6,964
Total assets	¥ 137,017	¥ 7,009	¥ —	¥ 144,026
Liabilities:				
Derivatives:				
Foreign exchange contracts	¥ —	¥ 5,136	¥ —	¥ 5,136
Interest rate swap contracts	—	9	—	9
Cross-currency interest rate swap contracts	—	34	—	34
Total liabilities	¥ —	¥ 5,179	¥ —	¥ 5,179

Available-for-sale securities are valued using a quoted price for identical instruments in active markets. Derivatives are valued using observable market inputs from major international financial institutions. The reconciliation to the line items presented in the consolidated balance sheets of available-for-sale securities and derivatives are disclosed in Note 3. OTHER INVESTMENTS and Note 8. DERIVATIVE FINANCIAL INSTRUMENTS, respectively.

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

The assets and liabilities that were measured at fair value on a nonrecurring basis were not material for the three months ended March 31, 2017 and for the year ended December 31, 2016, 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 speculation 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. 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 at March 31, 2017 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	
	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016
Derivatives not designated as hedging instruments:								
Foreign exchange contracts	¥ 952	¥ 45	¥ —	¥ —	¥ 309	¥ 5,136	¥ —	¥ —
Interest rate swap contracts	—	—	27	—	208	9	—	—
Cross-currency interest rate swap contracts	2,718	4,870	763	2,094	186	9	501	25
Total	¥ 3,670	¥4,915	¥ 790	¥ 2,094	¥ 703	¥ 5,154	¥ 501	¥ 25

The following table presents income effects of derivative instruments:

(¥ in millions)

For the three months ended March 31:

Derivative instruments not designated as hedging instruments	Consolidated statements of income line item	Gain (Loss) recognized in net income, before tax
2017:		
Foreign exchange contracts	Foreign exchange gain (loss)—net	¥ 2,350
Cross-currency swap contracts	Foreign exchange gain (loss)—net	131
Interest rate swap contracts	Other—net	(188)
Cross-currency interest rate swap contracts	Other—net	(3,240)
Total		¥ (947)
2016:		
Foreign exchange contracts	Foreign exchange gain (loss)—net	¥ 4,245
Cross-currency swap contracts	Foreign exchange gain (loss)—net	(110)
Interest rate swap contracts	Other—net	(69)
Cross-currency interest rate swap contracts	Other—net	(3,526)
Total		¥ 540

9. PLEDGED ASSETS

Pledged assets are comprised of the following:

(¥ in millions)

	March 31, 2017	December 31, 2016
Trade accounts	¥ 307	¥ 327
Short-term finance receivables *1	60,327	60,361
Other current assets *2	10,702	9,277
Long-term finance receivables *1	110,343	104,928
Property, plant, and equipment	1,628	1,819
Total	¥ 183,307	¥ 176,712

*1 Short-term 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)

	March 31, 2017	December 31, 2016
Short-term borrowings	¥ 586	¥ 578
Current portion of long-term debt	53,513	51,112
Long-term debt	98,520	92,486
Total	¥ 152,619	¥ 144,176

10. RETIREMENT AND PENSION PLANS

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

(¥ in millions)

For the three months ended March 31:		2017		2016
Service costs	¥	2,324	¥	2,199
Interest costs		461		647
Expected return on plan assets		(1,193)		(1,225)
Amortization of prior service benefit		(10)		(86)
Amortization of actuarial loss		251		191
Total	¥	1,833	¥	1,726

11. SUPPLEMENTAL EXPENSE INFORMATION

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

The following table presents the amounts of research and development expenses, advertising costs, shipping and handling costs, and depreciation and amortization included in cost of revenues and selling, general, and administrative expenses:

(¥ in millions)

For the three months ended March 31:		2017		2016
Research and development expenses	¥	11,010	¥	9,474
Advertising costs		5,271		3,637
Shipping and handling costs		16,695		16,041
Depreciation and amortization		11,127		9,842

Other Operating Expenses

Other operating expenses—net for the three months ended March 31, 2016 included a loss of ¥116 million from sales and disposals of fixed assets.

12. NET INCOME ATTRIBUTABLE TO KUBOTA CORPORATION PER COMMON SHARE

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

For the three months ended March 31:		2017		2016
Net income attributable to Kubota Corporation (¥ in millions)	¥	27,584	¥	36,353
Weighted-average number of common shares (in thousands)		1,239,780		1,244,503

There are no potentially dilutive shares outstanding for the three months ended March 31, 2017 and 2016.

13. OTHER COMPREHENSIVE INCOME (LOSS)

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

(¥ in millions)

For the three months ended March 31:	2017 Kubota Corporation	2017 Non-controlling interests	2017 Total	2016 Kubota Corporation	2016 Non-controlling interests	2016 Total
Foreign currency translation adjustments	¥ (17,625)	¥ 391	¥ (17,234)	¥ (34,594)	¥ (1,381)	¥ (35,975)
Unrealized losses on securities	(2,990)	4	(2,986)	(11,111)	1	(11,110)
Pension liability adjustments	478	(4)	474	(326)	1	(325)
Other comprehensive income (loss)	¥ (20,137)	¥ 391	¥ (19,746)	¥ (46,031)	¥ (1,379)	¥ (47,410)

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

For the three months ended March 31:	Foreign currency translation adjustments	Unrealized gains on securities	Pension liability adjustments	Total
2017:				
Balance at beginning of period	¥ 26,009	¥ 49,551	¥ (26,224)	¥ 49,336
Other comprehensive income (loss) before reclassification	(17,625)	(1,205)	307	(18,523)
Reclassification to net income	—	(1,785)	171	(1,614)
Net change	(17,625)	(2,990)	478	(20,137)
Balance at end of period	¥ 8,384	¥ 46,561	¥ (25,746)	¥ 29,199
2016:				
Balance at beginning of period	¥ 50,112	¥ 46,955	¥ (17,775)	¥ 79,292
Changes in ownership Interests in subsidiaries	(570)	—	—	(570)
Other comprehensive income (loss) before reclassification	(34,594)	(10,894)	(398)	(45,886)
Reclassification to net income	—	(217)	72	(145)
Net change	¥ (35,164)	¥ (11,111)	¥ (326)	¥ (46,601)
Balance at end of period	¥ 14,948	¥ 35,844	¥ (18,101)	¥ 32,691

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

(¥ in millions)

For the three months ended March 31:	Amount reclassified from accumulated other comprehensive income [*1]	Affected line item in the statement where net income is presented
2017:		
Unrealized losses on securities	¥ (2,580)	Gain on sales of securities—net
	795	Income taxes
	(1,785)	Net income attributable to Kubota Corporation
Pension liability adjustments	241 [*2]	
	(74)	Income taxes
	167	Net income
	4	Net income attributable to non-controlling interests
	171	Net income attributable to Kubota Corporation
Total	¥ (1,614)	
2016:		
Unrealized losses on securities	¥ (313)	Gain on sales of securities—net
	96	Income taxes
	(217)	Net income attributable to Kubota Corporation
Pension liability adjustments	105 [*2]	
	(32)	Income taxes
	73	Net income
	(1)	Net income attributable to non-controlling interests
	72	Net income attributable to Kubota Corporation
Total	¥ (145)	

[*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 Board of Directors on February 14, 2017	Common shares	Retained earnings	¥ 19,857	¥16.00	December 31, 2016	March 27, 2017

Dividends with Record Date falling in the Three Months Ended March 31, 2017 and with Effective Date coming after March 31, 2017

Not applicable

15. COMMITMENTS AND CONTINGENCIES

Guarantees

The Company is contingently liable as guarantor of the indebtedness of distributors including affiliated companies, and customers for their borrowings from financial institutions. The Company would have to perform under these guarantees in the event of default on a payment within the guarantee periods of one to four years. The maximum potential amount of undiscounted future payments of these financial guarantees at March 31, 2017 was ¥12,345 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 28 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 ¥26,530 million consisted of all the 28 lawsuits, related to a total of 690 construction workers who suffered from asbestos-related diseases, and which were filed against the Japanese government and 45 asbestos-related companies including the Company. The Company does not have any cost-sharing arrangements with other potentially responsible parties for these 28 lawsuits. The Company discloses the aggregate claimed amount of the above ¥26,530 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 28 major lawsuits, six 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, had previously produced asbestos-related products. The Company established a relief payment program in place of the consolation payments made 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 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 contributions made by business entities include a special contribution by the companies which operated a business closely related to asbestos, and commenced from the year ended March 31, 2008.

The Company 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 ¥187 million and ¥177 million at March 31, 2017 and December 31, 2016, 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 who 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.

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 and 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)

For the three months ended March 31:	Farm & Industrial Machinery	Water & Environment	Other	Adjustments	Consolidated
2017:					
Revenues:					
External customers	¥ 312,381	¥ 82,690	¥ 7,752	¥ —	¥ 402,823
Intersegment	130	393	6,399	(6,922)	—
Total	312,511	83,083	14,151	(6,922)	402,823
Operating income	¥ 31,664	¥ 14,157	¥ 831	¥ (7,302)	¥ 39,350
2016:					
Revenues:					
External customers	¥ 303,117	¥ 94,401	¥ 7,851	¥ —	¥ 405,369
Intersegment	222	599	6,322	(7,143)	—
Total	303,339	95,000	14,173	(7,143)	405,369
Operating income	¥ 48,386	¥ 13,514	¥ 1,123	¥ (5,571)	¥ 57,452

(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)

For the three months ended March 31:	2017	2016
Revenues from External customers by destination:		
Japan	¥ 149,800	¥ 159,009
North America	99,087	98,909
Europe	59,930	55,010
Asia outside Japan	79,610	76,320
Other areas	14,396	16,121
Total	¥ 402,823	¥ 405,369

(Notes)

1. Revenues from North America included those from the United States of ¥83,821 million and ¥85,683 million for the three months ended March 31, 2017 and 2016, respectively.
2. There was no single customer from which revenues exceeded 10% of total consolidated revenues of the Company.

17. SUBSEQUENT EVENT

On May 10, 2017, pursuant to the provisions of its Article of Incorporation, which are stipulated in Article 165, Paragraph 2 of the Corporation Law of Japan, the Board of Directors of the Parent Company resolved to acquire in the market up to 7.5 million shares and at a total price up to ¥10,000 million of the Parent Company’s outstanding common shares on and after May 11, 2017 through December 20, 2017.

2. Other

On February 14, 2017, the Board of Directors of the Parent Company resolved to pay cash dividends as follows:

1) Shareholders to Be Paid Cash Dividends
Shareholders of record on December 31, 2016

2) Amount of Dividends
¥16.00 per common share, a total of ¥19,857 million

3) Effective Date of Claim of Payment and Start Date of Payment
March 27, 2017

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]	May 12, 2017
[Company Name]	Kabushiki Kaisha Kubota
[Company Name in English]	Kubota Corporation
[Title and Name of Representative]	Masatoshi Kimata, President and Representative Director
[Title and Name of CFO]	Shigeru Kimura, Director and Senior Managing Executive Officer General Manager of Planning & Control Headquarters
[Address of Head Office]	2-47, Shikitsuhigashi 1-chome, Naniwa-ku, Osaka, JAPAN
[Place Where Available for Public Inspection]	Kubota Corporation, Hanshin Office (1-1, Hama 1-chome, Amagasaki-shi, Hyogo, JAPAN) Kubota Corporation, Tokyo Head Office (1-3, Kyobashi 2-chome, Chuo-ku, Tokyo, JAPAN) Kubota Corporation, Chubu Regional Office (22-8, Meieki 3-chome, Nakamura-ku, Nagoya, JAPAN) Kubota Corporation, Yokohama Branch (6, Onoe-cho 1-chome, Naka-ku, Yokohama, JAPAN) Tokyo Stock Exchange, Inc (2-1, Nihombashi Kabuto-cho, Chuo-ku, Tokyo, JAPAN)

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

Masatoshi Kimata, President and Representative Director, and Shigeru Kimura, Director and Senior Managing Executive Officer, General Manager of Planning & Control Headquarters, confirmed that statements contained in the Quarterly Report for the first quarter of the 128th fiscal year (from January 1, 2017 to March 31, 2017) were adequate under the Financial Instruments and Exchange Act of Japan.

2. Special Notes

Not applicable