[Translation]

Quarterly Report

(The Third Quarter of the 128th Business Term)
From July 1, 2017 to September 30, 2017

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

Kubota Corporation

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[Company Name in English]	Kubota Corporation
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This is an English translation of the Quarterly Report filed with the Director of the Kanto Local Finance Bureau via Electronic Disclosure for Investors' NETwork ("EDINET") pursuant to the Financial Instruments and Exchange Act of Japan.

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

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

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

1. Overview of the Company

1. Key Financial Data

(¥ in millions, except per share amounts)

	Nine months ended September 30, 2017	Nine months ended September 30, 2016	Year ended December 31, 2016
Revenues	¥ 1,266,651 [420,655]	¥ 1,181,376 [385,240]	¥ 1,596,091
Income before income taxes and equity in net income of affiliated companies	156,857	142,166	196,971
Net income attributable to Kubota Corporation	105,341 [34,897]	93,068 [30,747]	132,485
Comprehensive income (loss)	115,640	(17,105)	112,599
Kubota Corporation shareholders' equity	1,258,036	1,079,633	1,198,761
Total equity	1,338,722	1,145,898	1,271,925
Total assets	2,744,665	2,381,127	2,670,582
Net income attributable to Kubota Corporation per common share:			
Basic	85.09 [28.23]	74.83 [24.74]	106.58
Diluted	—	—	—
Kubota Corporation shareholders' equity ratio (%)	45.8	45.3	44.9
Net cash provided by operating activities	160,407	128,781	184,978
Net cash used in investing activities	(77,757)	(148,084)	(167,525)
Net cash (used in) provided by financing activities	(46,510)	13,304	11,364
Cash and cash equivalents, end of period	206,559	123,494	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. The figures of "Revenues," "Net income attributable to Kubota Corporation," and "Net income attributable to Kubota Corporation per common share—Basic" in square brackets are those for the three months ended September 30, 2017 and 2016, respectively.
3. Revenues do not include consumption taxes.
4. Amounts less than presentation units are rounded to the nearest unit.
5. "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 nine months ended September 30, 2017, nor were there any material changes in its subsidiaries and affiliated companies.

2. Business Overview

1. Risk Factors

For the nine months ended September 30, 2017, there were no events or facts described in “2. Business Overview” or “4. Financial Information,” that might have material effects on investors’ investment decisions. There were no material changes in the information described in the Risk Factors section of the Annual Securities Report for the year ended December 31, 2016.

In addition, there were no material concerns or events as of September 30, 2017.

2. Material Contracts

There were no material contracts which were approved for conclusion or concluded for the three months ended September 30, 2017.

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

(1) Analysis of Results of Operations

For the nine months ended September 30, 2017, revenues of the Company increased by ¥85.3 billion (7.2%) from the corresponding period in the prior year to ¥1,266.7 billion.

Domestic revenues increased by ¥5.6 billion (1.3%) from the corresponding period in the prior year to ¥418.7 billion because increased revenues in Farm & Industrial Machinery, which was mainly due to strong sales of agricultural-related products, compensated for lower revenues in Water & Environment and Other.

Overseas revenues increased by ¥79.7 billion (10.4%) from the corresponding period in the prior year to ¥848.0 billion. Revenues in Farm & Industrial Machinery in each region, including North America, Europe, and Asia outside Japan, increased due to strong sales of construction machinery and engines as well as the positive effect of a business acquisition in the prior year, while revenues in Water & Environment fell due to decreased sales of ductile iron pipes and industrial castings.

Operating income decreased by ¥3.5 billion (2.3%) from the corresponding period in the prior year to ¥144.5 billion. The decrease was mainly due to the negative effects of yen appreciation, which was included in the inventories held by overseas subsidiaries at the prior fiscal year-end and realized in this period after the inventory stock and transportation period, and an increase in fixed costs and a rise in material prices, while there was a positive effect from increased revenues. Income before income taxes and equity in net income of affiliated companies increased by ¥14.7 billion (10.3%) from the corresponding period in the prior year to ¥156.9 billion, as an improvement in foreign exchange gain (loss)-net and an increase in gain on sales of securities compensated for a decrease in operating income. Income taxes were ¥46.3 billion, and net income increased by ¥11.4 billion (11.3%) from the corresponding period in the prior year to ¥112.2 billion. Net income attributable to Kubota Corporation increased by ¥12.3 billion (13.2%) from the corresponding period in the prior year to ¥105.3 billion.

Revenues from external customers and operating income by each reportable 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 10.0% from the corresponding period in the prior year to ¥1,041.6 billion and accounted for 82.2% of consolidated revenues.

Domestic revenues increased by 3.8% from the corresponding period in the prior year to ¥224.5 billion since sales of tractors recovered from the stagnation of sales caused by the strengthening of emission regulations. Additionally, sales of agricultural-related products increased significantly, while sales of electronic-equipped machinery and engines decreased.

Overseas revenues increased by 11.9% from the corresponding period in the prior year to ¥817.1 billion. In North America, sales of compact tractors, construction machinery, and engines grew due to expanded demand in addition to the positive effect of favorable exchange rates and a business acquisition in the prior year. In Europe, sales of construction machinery and engines grew due to steady demand in the construction industry, and sales from the implements business in the agriculture-related market increased as well. In Asia outside Japan, revenues in Thailand increased due to the cancelation of the restrictions on water intake during the period for dry-season cropping and the positive effects of favorable exchanges rates, while there were negative effects from severe rainfall during the rainy season. Revenues in China increased significantly due to an increase in sales of rice transplanters, construction machinery, and engines, while sales of combines slowed.

Operating income in Farm & Industrial Machinery decreased by 2.5% from the corresponding period in the prior year to ¥141.8 billion, mainly because the negative effect of yen appreciation in the prior year was realized in this period. Additionally, fixed costs increased, while there was a positive effect of increased revenues.

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 4.4% from the corresponding period in the prior year to ¥203.5 billion and accounted for 16.1% of consolidated revenues.

Domestic revenues decreased by 1.4% from the corresponding period in the prior year to ¥172.9 billion. Revenues from pipe-related products decreased due to lower revenues from the construction business, mainly resulting from delayed commencement of projects. Revenues from environment-related products decreased as well due to a decrease in sales from the operation and maintenance of the facilities business. On the other hand, revenues from social infrastructure-related products increased because significantly increased sales from the spiral-welded steel pipes business, which enjoyed strong orders, compensated for decreased sales of industrial castings.

Overseas revenues decreased by 18.4% from the corresponding period in the prior year to ¥30.6 billion. Export sales of ductile iron pipes to the Middle East and industrial castings to Southeast Asia, which included large-scale projects in the prior year, decreased.

Operating income in Water & Environment increased by 23.8% from the corresponding period in the prior year to ¥20.9 billion. Profitability was improved by strictly selected orders with significant profit margins, and fixed costs were reduced. These positive effects exceeded the negative effects of lower revenues in the domestic and overseas markets and a rise in material prices.

3) Other

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

Revenues in this segment decreased by 0.6% from the corresponding period in the prior year to ¥21.6 billion and accounted for 1.7% of consolidated revenues.

Operating income in Other decreased by 22.5% from the corresponding period in the prior year to ¥2.1 billion.

(2) Analysis of Financial Condition

Total assets at September 30, 2017 were ¥2,744.7 billion, an increase of ¥74.1 billion from the prior fiscal year-end.

Short and long-term finance receivables increased due to the expansion in sales financing operations in North America, where retail sales were strong, while trade notes and accounts decreased because of the inventory control of dealers in the United States.

Trade notes payable and trade accounts payable increased while the aggregated amount of interest-bearing debt, which is composed of short-term borrowings, current portion of long-term debt, and long-term debt, slightly decreased.

Equity increased because the accumulation of retained earnings compensated for increased treasury stock. The shareholders' equity ratio stood at 45.8%, 0.9 percent higher than at the prior fiscal year-end.

(3) Analysis of Cash Flows

Net cash provided by operating activities during the nine months ended September 30, 2017 was ¥160.4 billion, an increase of ¥31.6 billion in net cash inflow compared with the corresponding period in the prior year. This increase resulted from an increase in net income and changes in working capital, such as trade notes and trade accounts payable.

Net cash used in investing activities was ¥77.8 billion, a decrease of ¥70.3 billion in cash outflow compared with the corresponding period in the prior year. This decrease was mainly due to a decrease in cash outflow of business acquisition and a decrease in time deposits, while cash outflow related to an increase in finance receivables rose.

Net cash used in financing activities was ¥46.5 billion, as compared to ¥13.3 billion of net cash inflow for the corresponding period in the prior year, mainly resulting 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 September 30, 2017 were ¥206.6 billion, an increase of ¥37.1 billion from the beginning of the current fiscal year.

(4) Issues to Address on Business and Finance

There were no material changes in the outstanding issues for the Company to address during the nine months ended September 30, 2017, and no additional issue arose during the period.

(5) Research and Development

The Company's research and development expenses for the nine months ended September 30, 2017 were ¥34.6 billion. There were no material changes in the Company's research and development activities during the nine months ended September 30, 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) (September 30, 2017)	Number of shares issued as of filing date (shares) (November 10, 2017)	Stock exchange on which Kubota Corporation is listed	Description
Common shares	1,241,154,216	1,241,154,216	Tokyo Stock Exchange, Inc. (the first section)	The number of shares per one unit of shares is 100 shares.
Total	1,241,154,216	1,241,154,216	—	—

(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: July 1, 2017 To: September 30, 2017	—	1,241,154	¥ —	¥ 84,100	¥ —	¥ 73,087

(6) Major Shareholders

Not applicable

(7) Information on Voting Rights

Information on voting rights on the shareholders' list as of June 30, 2017 is stated in this sub-section since Kubota Corporation could not identify the number of voting rights as of September 30, 2017 due to the lack of information.

1) Issued Shares

(As of June 30, 2017)

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:	3,559,900	—	—

	(Crossholding stock) Common shares:	718,400		
Shares with full voting rights (others)	Common shares:	1,236,614,700	12,366,147	—
Shares less than one unit	Common shares:	261,216	—	Shares less than one unit (100 shares)
Number of issued shares		1,241,154,216	—	—
Total number of voting rights		—	12,366,147	—

(Notes)

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

2) Treasury Stock

(As of June 30, 2017)

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	3,559,900	—	3,559,900	0.28
(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
Fukuoka Kyushu Kubota Corporation	11-36, Noma 1-chome, Minami-ku, Fukuoka, JAPAN	566,000	—	566,000	0.04
Total crossholding stock	—	718,400	—	718,400	0.05
Total	—	4,278,300	—	4,278,300	0.34

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 September 30, 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 September 30, 2017.

4. Financial Information

1. Consolidated Financial Statements

Kubota Corporation and its Subsidiaries

(1) Consolidated Balance Sheets

(¥ in millions)

	September 30, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	¥ 206,559	¥ 169,416
Notes and accounts receivable:		
Trade notes	61,787	75,798
Trade accounts	541,150	559,488
Less: Allowance for doubtful notes and accounts receivable	(2,981)	(2,472)
Short-term finance receivables—net	258,219	244,184
Inventories	381,918	356,180
Other current assets	103,684	160,480
Total current assets	1,550,336	1,563,074
Investments and long-term finance receivables:		
Investments in and loans receivable from affiliated companies	28,385	28,517
Other investments	135,535	140,667
Long-term finance receivables—net	558,461	508,289
Total investments and long-term finance receivables	722,381	677,473
Property, plant, and equipment:		
Land	84,998	82,104
Buildings	306,222	292,898
Machinery and equipment	507,586	491,040
Construction in progress	13,763	17,378
Total property, plant, and equipment	912,569	883,420
Less: Accumulated depreciation	(593,376)	(569,189)
Net property, plant, and equipment	319,193	314,231
Other assets:		
Goodwill and intangible assets—net	45,317	46,057
Long-term trade accounts receivable	46,282	39,852
Other	61,885	30,658
Less: Allowance for doubtful non-current receivables	(729)	(763)
Total other assets	152,755	115,804
Total assets	¥ 2,744,665	¥ 2,670,582

(¥ in millions)

	September 30, 2017	December 31, 2016
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term borrowings	¥ 150,441	¥ 193,883
Trade notes payable	170,551	157,471
Trade accounts payable	105,101	98,388
Advances received from customers	7,422	6,927
Notes and accounts payable for capital expenditures	11,561	24,321
Accrued payroll costs	47,949	35,902
Accrued expenses	65,349	64,662
Income taxes payable	24,510	19,650
Other current liabilities	93,068	90,197
Current portion of long-term debt	164,771	145,212
Total current liabilities	840,723	836,613
Long-term liabilities:		
Long-term debt	500,096	478,894
Accrued retirement and pension costs	12,857	12,091
Other long-term liabilities	52,267	71,059
Total long-term liabilities	565,220	562,044
Commitments and contingencies		
Equity:		
Kubota Corporation shareholders' equity:		
Common stock,		
authorized 1,874,700,000 shares at September 30, 2017 and December 31, 2016 and issued 1,241,154,216 shares and 1,241,119,180 shares at September 30, 2017 and December 31, 2016, respectively	84,100	84,070
Capital surplus	85,020	84,605
Legal reserve	19,539	19,539
Retained earnings	1,028,323	961,403
Accumulated other comprehensive income	50,418	49,336
Treasury stock (5,470,299 shares and 415,691 shares at September 30, 2017 and December 31, 2016, respectively), at cost	(9,364)	(192)
Total Kubota Corporation shareholders' equity	1,258,036	1,198,761
Non-controlling interests	80,686	73,164
Total equity	1,338,722	1,271,925
Total liabilities and equity	¥ 2,744,665	¥ 2,670,582

See notes to consolidated financial statements.

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

For the nine months ended September 30, 2017 and 2016

Consolidated Statements of Income

(¥ in millions, except per share amounts)

		2017		2016
Revenues	¥	1,266,651	¥	1,181,376
Cost of revenues		898,983		828,561
Selling, general, and administrative expenses		222,687		203,892
Other operating expenses—net		492		996
Operating income		144,489		147,957
Other income (expenses):				
Interest and dividend income		4,847		4,246
Interest expense		(620)		(340)
Gain on sales of securities—net		8,300		2,096
Foreign exchange gain (loss)—net		6,846		(7,916)
Other—net		(7,005)		(3,877)
Other income (expenses)—net		12,368		(5,791)
Income before income taxes and equity in net income of affiliated companies		156,857		142,166
Income taxes:				
Current		54,283		42,659
Deferred		(7,973)		311
Total income taxes		46,310		42,970
Equity in net income of affiliated companies		1,636		1,571
Net income		112,183		100,767
Less: Net income attributable to non-controlling interests		6,842		7,699
Net income attributable to Kubota Corporation	¥	105,341	¥	93,068
Net income attributable to Kubota Corporation per common share:				
Basic	¥	85.09	¥	74.83

Consolidated Statements of Comprehensive Income (Loss)

(¥ in millions)

		2017		2016
Net income	¥	112,183	¥	100,767
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments		4,060		(106,493)
Unrealized losses on securities		(1,193)		(11,403)
Pension liability adjustments		590		24
Total other comprehensive income (loss)		3,457		(117,872)
Comprehensive income (loss)		115,640		(17,105)
Less: Comprehensive income attributable to non-controlling interests		9,217		1,371
Comprehensive income (loss) attributable to Kubota Corporation	¥	106,423	¥	(18,476)

See notes to consolidated financial statements.

For the three months ended September 30, 2017 and 2016

Consolidated Statements of Income

(¥ in millions, except per share amounts)

		2017		2016
Revenues	¥	420,655	¥	385,240
Cost of revenues		299,663		274,010
Selling, general, and administrative expenses		77,005		68,596
Other operating expenses —net		97		257
Operating income		43,890		42,377
Other income (expenses):				
Interest and dividend income		1,132		1,030
Interest expense		(273)		(70)
Gain on sales of securities—net		2,916		1,165
Foreign exchange gain—net		3,533		1,635
Other—net		(1,948)		(1,085)
Other income (expenses)—net		5,360		2,675
Income before income taxes and equity in net income of affiliated companies		49,250		45,052
Income taxes:				
Current		17,155		13,484
Deferred		(4,236)		(1,235)
Total income taxes		12,919		12,249
Equity in net income of affiliated companies		791		821
Net income		37,122		33,624
Less: Net income attributable to non-controlling interests		2,225		2,877
Net income attributable to Kubota Corporation	¥	34,897	¥	30,747
Net income attributable to Kubota Corporation per common share:				
Basic	¥	28.23	¥	24.74

Consolidated Statements of Comprehensive Income (Loss)

(¥ in millions)

		2017		2016
Net income	¥	37,122	¥	33,624
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments		14,516		(9,156)
Unrealized (losses) gains on securities		(2,035)		5,872
Pension liability adjustments		46		87
Total other comprehensive income (loss)		12,527		(3,197)
Comprehensive income		49,649		30,427
Less: Comprehensive income attributable to non-controlling interests		3,764		2,487
Comprehensive income attributable to Kubota Corporation	¥	45,885	¥	27,940

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	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					105,341			6,842	112,183
Other comprehensive income						1,082		2,375	3,457
Cash dividends paid to Kubota Corporation shareholders (¥31.00 per common share)					(38,421)				(38,421)
Cash dividends paid to non-controlling interests								(3,701)	(3,701)
Purchases and sales of treasury stock	(5,054)		144				(9,172)		(9,028)
Restricted stock compensation	35	30							30
Changes in ownership interests in subsidiaries			271					2,006	2,277
Balance at September 30, 2017	1,235,684	¥ 84,100	¥ 85,020	¥ 19,539	¥1,028,323	¥ 50,418	¥(9,364)	¥ 80,686	¥ 1,338,722
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					93,068			7,699	100,767
Other comprehensive loss						(111,544)		(6,328)	(117,872)
Cash dividends paid to Kubota Corporation shareholders (¥28.00 per common share)					(34,839)				(34,839)
Cash dividends paid to non-controlling interests								(2,245)	(2,245)
Purchases and sales of treasury stock	(2,633)						(4,011)		(4,011)
Changes in ownership interests in subsidiaries			(2,888)			(463)		(11,109)	(14,460)
Balance at September 30, 2016	1,241,871	¥ 84,070	¥ 84,950	¥ 19,539	¥ 927,998	¥ (32,715)	¥ (4,209)	¥ 66,265	¥ 1,145,898

See notes to consolidated financial statements.

(4) Consolidated Statements of Cash Flows

(¥ in millions)

For the nine months ended September 30:	2017	2016
Operating activities:		
Net income	¥ 112,183	¥ 100,767
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	33,760	31,209
Gain on sales of securities—net	(8,300)	(2,096)
Equity in net income of affiliated companies	(1,636)	(1,571)
Deferred income taxes	(7,973)	311
Changes in assets and liabilities:		
Decrease in notes and accounts receivable	21,371	30,839
Increase in inventories	(17,364)	(13,656)
Increase in other current assets	(14,895)	(7,152)
Increase (decrease) in trade notes and accounts payable	17,784	(36,010)
Increase in income taxes payable	4,723	10,139
Increase in other current liabilities	14,502	10,328
Decrease in accrued retirement and pension costs	(818)	(1,546)
Other	7,070	7,219
Net cash provided by operating activities	160,407	128,781
Investing activities:		
Purchases of fixed assets	(42,812)	(37,831)
Proceeds from sales and redemption of investments	11,768	2,947
Acquisition of business, net of cash acquired	(1,085)	(42,396)
Increase in finance receivables	(312,124)	(265,460)
Collection of finance receivables	246,200	217,537
Net decrease in short-term loans receivable from affiliated companies	2,082	165
Net decrease (increase) in time deposits	18,059	(18,394)
Other	155	(4,652)
Net cash used in investing activities	(77,757)	(148,084)
Financing activities:		
Proceeds from issuance of long-term debt	185,648	193,555
Repayments of long-term debt	(141,133)	(112,811)
Net decrease in short-term borrowings	(40,086)	(11,498)
Payments of cash dividends	(38,421)	(34,839)
Purchases of treasury stock	(9,172)	(4,011)
Purchases of non-controlling interests	—	(14,847)
Other	(3,346)	(2,245)
Net cash (used in) provided by financing activities	(46,510)	13,304
Effect of exchange rate changes on cash and cash equivalents	1,003	(16,793)
Net increase (decrease) in cash and cash equivalents	37,143	(22,792)
Cash and cash equivalents, beginning of period	169,416	146,286
Cash and cash equivalents, end of period	¥ 206,559	¥ 123,494

See notes to consolidated financial statements.

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 used consistently for 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 nine months ended September 30, 2017 by ¥642 million and ¥0.52, and for the three months ended September 30, 2017 by ¥260 million and ¥0.21, respectively, as compared to the 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)

	September 30, 2017	December 31, 2016
Finished products	¥ 237,310	¥ 220,510
Spare parts	54,305	44,885
Work in process	46,547	46,660
Raw materials and supplies	43,756	44,125
	¥ 381,918	¥ 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)

	September 30, 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	¥ 17,625	¥ 42,165	¥ 24,540	¥ —	¥ 20,017	¥ 48,435	¥ 28,418	¥ —
Other equity securities	13,961	89,871	75,910	—	14,833	88,582	73,749	—
	¥ 31,586	¥ 132,036	¥100,450	¥ —	¥ 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 nine months ended September 30:	2017	2016
Proceeds from sales of available-for-sale securities	¥ 11,568	¥ 2,904
Gross realized gains	8,300	2,096
Gross realized losses	—	—

(¥ in millions)

For the three months ended September 30:	2017	2016
Proceeds from sales of available-for-sale securities	¥ 3,451	¥ 1,399
Gross realized gains	2,916	1,165
Gross realized losses	—	—

Investments in nonmarketable equity securities of ¥3,499 million and ¥3,650 million were recorded in other investments on the consolidated balance sheets at September 30, 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 average 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 nine months ended September 30, 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 September 30, 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 September 30, 2017:					
Rank A	¥ 585,034	¥ 23,493	¥ 8,508	¥ 167,826	¥ 79,109
Rank B	36,097	—	211	19,797	2,509
Rank C	220	82	—	—	33
Total	¥ 621,351	¥ 23,575	¥ 8,719	¥ 187,623	¥ 81,651
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 September 30, 2017:								
Retail finance receivables	North America	¥ 32,168	¥ 2,202	¥ 846	¥ 1,101	¥ 36,317	¥ 585,034	¥ 621,351
Retail finance receivables	Other areas	—	—	82	—	82	23,493	23,275
Finance lease receivables	Japan	95	14	1	85	195	8,524	8,719
Finance lease receivables	Asia outside Japan	2,209	2,232	1,850	13,332	19,623	168,000	187,623
Long-term trade accounts receivable	Japan	749	207	142	1,036	2,134	79,517	81,651
Total		¥ 35,221	¥ 4,655	¥ 2,921	¥ 15,554	¥ 58,351	¥ 864,568	¥ 922,919
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 September 30, 2017 and December 31, 2016, amounted to ¥1,101 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 nine months ended September 30, 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 ¥2,771 million and ¥6,105 million at September 30, 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 nine months ended September 30, 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 nine months ended September 30, 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 ¥353 million and ¥528 million at September 30, 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 nine months ended September 30, 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	796	2,952	39	3,787
Charge-offs	(650)	(2,040)	—	(2,690)
Recoveries	36	—	—	36
Other	(9)	957	—	948
Balance at end of period	¥ 1,196	¥ 23,392	¥ 395	¥ 24,983
Individually evaluated for impairment	302	—	33	335
Collectively evaluated for impairment	894	23,392	362	24,648
Recorded Investment at September 30, 2017:				
Balance at end of period	¥ 644,926	¥ 196,342	¥ 81,651	¥ 922,919
Individually evaluated for impairment	302	—	33	335
Collectively evaluated for impairment	644,624	196,342	81,618	922,584
Allowance for doubtful accounts and credit losses for the three months ended September 30, 2017:				
Balance at beginning of period	¥ 1,183	¥ 22,544	¥ 383	¥ 24,110
Provision	194	1,146	12	1,352
Charge-offs	(201)	(914)	—	(1,115)
Recoveries	5	—	—	5
Other	15	616	—	631
Balance at end of period	¥ 1,196	¥ 23,392	¥ 395	¥ 24,983

(¥ in millions)

Allowance for doubtful accounts and credit losses for the nine months ended September 30, 2016:	Retail finance Receivables	Finance lease receivables	Long-term trade accounts receivable	Total
Balance at beginning of period	¥ 692	¥ 18,945	¥ 340	¥ 19,977
Provision	990	3,524	19	4,533
Charge-offs	(858)	(1,035)	—	(1,893)
Recoveries	22	—	—	22
Other	(95)	(2,584)	—	(2,679)
Balance at end of period	¥ 751	¥ 18,850	¥ 359	¥ 19,960
Individually evaluated for impairment	140	—	57	197
Collectively evaluated for impairment	611	18,850	302	19,763
Recorded Investment at September 30, 2016:				
Balance at end of period	¥ 499,114	¥ 165,766	¥ 79,949	¥ 744,829
Individually evaluated for impairment	141	—	57	198
Collectively evaluated for impairment	498,973	165,766	79,892	744,631
Allowance for doubtful accounts and credit losses for the three months ended September 30, 2016:				
Balance at beginning of period	¥ 647	¥ 18,310	¥ 359	¥ 19,316
Provision	383	1,046	—	1,429
Charge-offs	(299)	(382)	—	(681)
Recoveries	13	—	—	13
Other	7	(124)	—	(117)
Balance at end of period	¥ 751	¥ 18,850	¥ 359	¥ 19,960

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 nine months ended September 30, 2017 and 2016.

6. BUSINESS COMBINATION

In July 2016, the Company acquired 100% of the outstanding shares of Great Plains Manufacturing, Inc. (“GP”), a farm implement manufacturer in the U.S., through Kubota U.S.A., Inc., (currently, Kubota North America Corp.) the Company’s U.S. subsidiary. The consideration, all in cash, paid for the acquired shares of GP was ¥44,290 million.

GP has well-established brands in North America along with a wide range of implement products. The Company expects to realize synergies including development of implements for its existing line of tractors and utilization of each other’s sales channels. The Company expects the acquisition to be an important milestone in establishing a significant presence in the agricultural machinery market for upland farming in North America.

Acquisition-related costs of ¥429 million were included in selling, general, and administrative expenses on the consolidated statements of income for the nine months ended September 30, 2016.

The following table presents the amounts recognized as of the acquisition date for each major class of assets acquired and liabilities assumed:

(¥ in millions)

Current assets	¥	25,077
Property, plant, and equipment		11,407
Goodwill		1,736
Intangible assets		15,450
Other assets		8,185
Total assets acquired	¥	61,855
Current liabilities		7,915
Long-term liabilities		9,650
Total liabilities assumed	¥	17,565
Total net assets acquired	¥	44,290

Trade accounts receivable of ¥10,708 million and finance receivables of ¥2,900 million recorded at fair value were included in current assets and other assets in the table above, and the gross contractual amount is ¥10,818 million and ¥2,925 million, respectively.

All intangible assets acquired were subject to amortization and consisted of trademarks of ¥6,798 million, customer relationships of ¥4,326 million, and technological know-how of ¥4,326 million with weighted-average amortization periods of 20 years, 17 years, and ten years, respectively. The aggregated amount of goodwill is all assigned to the Farm & Industrial Machinery segment and is deductible for tax purposes.

Revenues or net income from GP and its subsidiaries, which were included in the consolidated statements of income for the nine months ended September 30, 2016 were not material.

The pro forma results are not disclosed as the amounts are immaterial.

There were no material business combinations for the nine months ended September 30, 2017.

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

(¥ in millions)

	Carrying value	Fair value Level 1	Fair value Level 2	Fair value Level 3	Fair value Total
At September 30, 2017:					
Financial assets:					
Finance receivables—net	¥ 643,730	¥ —	¥ 630,065	¥ —	¥ 630,065
Long-term trade accounts receivable	81,256	—	86,460	—	86,460
Financial liabilities:					
Long-term debt	(662,391)	—	(652,740)	—	(652,740)
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 the 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 8. FAIR VALUE MEASUREMENTS.

8. 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 September 30, 2017:				
Assets:				
Available-for-sale securities:				
Equity securities of financial institutions	¥ 42,165	¥ —	¥ —	¥ 42,165
Other equity securities	89,871	—	—	89,871
Derivatives:				
Foreign exchange contracts	—	198	—	198
Interest rate swap contracts	—	2	—	2
Cross-currency interest rate swap contracts	—	2,082	—	2,082
Total assets	¥ 132,036	¥ 2,282	¥ —	¥ 134,318
Liabilities:				
Derivatives:				
Foreign exchange contracts	¥ —	¥ 982	¥ —	¥ 982
Interest rate swap contracts	—	480	—	480
Cross-currency interest rate swap contracts	—	1,654	—	1,654
Total liabilities	¥ —	¥ 3,116	¥ —	¥ 3,116
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 9. 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 nine months ended September 30, 2017 and for the year ended December 31, 2016, respectively.

9. 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 Rate 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 rate 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 September 30, 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	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Derivatives not designated as hedging instruments:								
Foreign exchange contracts	¥ 198	¥ 45	¥ —	¥ —	¥ 982	¥ 5,136	¥ —	¥ —
Interest rate swap contracts	—	—	2	—	197	9	283	—
Cross-currency interest rate swap contracts	2,041	4,870	41	2,094	550	9	1,104	25
Total	¥ 2,239	¥4,915	¥ 43	¥ 2,094	¥ 1,729	¥ 5,154	¥ 1,387	¥ 25

The following table presents the income effects of derivative instruments:

(¥ in millions)

For the nine months ended September 30:

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	¥ (141)
Cross-currency swap contracts	Foreign exchange gain (loss)—net	35
Interest rate swap contracts	Other—net	(675)
Cross-currency interest rate swap contracts	Other—net	(6,349)
Total		¥ (7,130)
2016:		
Foreign exchange contracts	Foreign exchange gain (loss)—net	¥ 8,714
Cross-currency swap contracts	Foreign exchange gain (loss)—net	(262)
Interest rate swap contracts	Other—net	(70)
Cross-currency interest rate swap contracts	Other—net	(3,823)
Total		¥ 4,559

(¥ in millions)

For the three months ended September 30:

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—net	¥ (1,106)
Cross-currency swap contracts	Foreign exchange gain—net	(436)
Interest rate swap contracts	Other—net	(439)
Cross-currency interest rate swap contracts	Other—net	(1,454)
Total		¥ (3,435)
2016:		
Foreign exchange contracts	Foreign exchange gain—net	¥ 991
Cross-currency swap contracts	Foreign exchange gain—net	(50)
Interest rate swap contracts	Other—net	50
Cross-currency interest rate swap contracts	Other—net	20
Total		¥ 1,011

10. PLEDGED ASSETS

Pledged assets are comprised of the following:

(¥ in millions)

	September 30, 2017	December 31, 2016
Trade accounts	¥ 171	¥ 327
Short-term finance receivables [*1]	75,575	60,361
Other current assets [*2]	10,899	9,277
Long-term finance receivables [*1]	140,614	104,928
Property, plant, and equipment	1,628	1,819
Total	¥ 228,887	¥ 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)

	September 30, 2017	December 31, 2016
Short-term borrowings	¥ 450	¥ 578
Current portion of long-term debt	66,555	51,112
Long-term debt	124,461	92,486
Total	¥ 191,466	¥ 144,176

11. RETIREMENT AND PENSION PLANS

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

(¥ in millions)

For the nine months ended September 30:		2017		2016
Service costs	¥	6,945	¥	6,586
Interest costs		1,379		1,941
Expected return on plan assets		(3,577)		(3,675)
Amortization of prior service benefit		(29)		(257)
Amortization of actuarial loss		749		569
Total	¥	5,467	¥	5,164

(¥ in millions)

For the three months ended September 30:		2017		2016
Service costs	¥	2,314	¥	2,197
Interest costs		458		646
Expected return on plan assets		(1,192)		(1,225)
Amortization of prior service benefit		(9)		(85)
Amortization of actuarial loss		249		189
Total	¥	1,820	¥	1,722

12. 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 nine months ended September 30:		2017		2016
Research and development expenses	¥	34,617	¥	30,979
Advertising costs		13,698		10,904
Shipping and handling costs		54,446		48,170
Depreciation and amortization		33,760		31,209

(¥ in millions)

For the three months ended September 30:		2017		2016
Research and development expenses	¥	11,984	¥	10,464
Advertising costs		4,421		3,132
Shipping and handling costs		19,236		15,553
Depreciation and amortization		11,570		11,309

Other Operating Expenses

Other operating expenses—net for the nine months ended September 30, 2017 included a loss from sales and disposals of fixed assets of ¥222 million and expenses related to liquidation of subsidiaries of ¥270 million.

Other operating expenses—net for the nine months ended September 30, 2016 included a loss from sales and disposals of fixed assets of ¥459 million and expenses related to liquidation of subsidiaries of ¥507 million.

Other operating expenses—net for the three months ended September 30, 2017 included a loss from sales and disposals of fixed assets of ¥63 million.

Other operating expenses—net for the three months ended September 30, 2016 included a loss from sales and disposals of fixed assets of ¥254 million.

13. NET INCOME ATTRIBUTABLE TO KUBOTA CORPORATION PER COMMON SHARE

The numerator and denominator used to calculate net income attributable to Kubota Corporation per common share—basic are presented in the following table.

The Company introduced a restricted compensation plan (hereinafter, the "Plan") for the Company's Directors. Among the new shares issued under the Plan, those whose transfer restrictions have not been cancelled are distinguished as participating securities from common shares.

Each holder of common shares and participating securities has the same rights to net income attributable to Kubota Corporation.

(¥ in millions)

For the nine months ended September 30:	2017	2016
Net income attributable to Kubota Corporation	¥ 105,341	¥ 93,068
Net income available to participating securities	1	—
Net income available to common shareholders	¥ 105,340	¥ 93,068

(thousands of shares)

For the nine months ended September 30:	2017	2016
Weighted-average number of common shares outstanding	1,237,928	1,243,673
Weighted-average number of participating securities	16	—
Weighted-average number of common shares	1,237,912	1,243,673

(¥ in millions)

For the three months ended September 30:	2017	2016
Net income attributable to Kubota Corporation	¥ 34,897	¥ 30,747
Net income available to participating securities	1	—
Net income available to common shareholders	¥ 34,896	¥ 30,747

(thousands of shares)

For the three months ended September 30:	2017	2016
Weighted-average number of common shares outstanding	1,236,208	1,242,637
Weighted-average number of participating securities	20	—
Weighted-average number of common shares	1,236,188	1,242,637

There are no potentially dilutive shares outstanding for the nine months ended September 30, 2017 and 2016.

14. 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)

	2017			2016		
For the nine months ended September 30:	Kubota Corporation	Non-controlling interests	Total	Kubota Corporation	Non-controlling interests	Total
Foreign currency translation adjustments	¥ 1,685	¥ 2,375	¥ 4,060	¥ (100,183)	¥ (6,310)	¥ (106,493)
Unrealized losses on securities	(1,197)	4	(1,193)	(11,383)	(20)	(11,403)
Pension liability adjustments	594	(4)	590	22	2	24
Other comprehensive income (loss)	¥ 1,082	¥ 2,375	¥ 3,457	¥ (111,544)	¥ (6,328)	¥ (117,872)

(¥ in millions)

For the three months ended September 30:	2017 Kubota Corporation	2017 Non-controlling interests	2017 Total	2016 Kubota Corporation	2016 Non-controlling interests	2016 Total
Foreign currency translation adjustments	¥ 12,955	¥ 1,561	¥ 14,516	¥ (8,783)	¥ (373)	¥ (9,156)
Unrealized gains (losses) on securities	(2,013)	(22)	(2,035)	5,889	(17)	5,872
Pension liability adjustments	46	—	46	87	—	87
Other comprehensive income (loss)	¥ 10,988	¥ 1,539	¥ 12,527	¥ (2,807)	¥ (390)	¥ (3,197)

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 nine months ended September 30:	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	1,685	4,547	90	6,322
Reclassification to net income	—	(5,744)	504	(5,240)
Net change	1,685	(1,197)	594	1,082
Balance at end of period	¥ 27,694	¥ 48,354	¥ (25,630)	¥ 50,418
2016:				
Balance at beginning of period	¥ 50,112	¥ 46,955	¥ (17,775)	¥ 79,292
Changes in ownership Interests in subsidiaries	(557)	—	94	(463)
Other comprehensive income (loss) before reclassification	(100,183)	(9,932)	(193)	(110,308)
Reclassification to net income	—	(1,451)	215	(1,236)
Net change	¥ (100,740)	¥ (11,383)	¥ 116	¥ (112,007)
Balance at end of period	¥ (50,628)	¥ 35,572	¥ (17,659)	¥ (32,715)

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 nine months ended September 30:

		Amount reclassified from accumulated other comprehensive income		Affected line item in the statement where net income is presented
			*1	
2017:				
Unrealized losses on securities	¥	(8,300)		Gain on sales of securities—net
		2,556		Income taxes
		(5,744)		Net income attributable to Kubota Corporation
Pension liability adjustments		720	*2	
		(220)		Income taxes
		500		Net income
		4		Net income attributable to non-controlling interests
		504		Net income attributable to Kubota Corporation
Total	¥	(5,240)		
2016:				
Unrealized losses on securities	¥	(2,096)		Gain on sales of securities—net
		5		Other—net
		640		Income taxes
		(1,451)		Net income attributable to Kubota Corporation
Pension liability adjustments		312	*2	
		(95)		Income taxes
		217		Net income
		(2)		Net income attributable to non-controlling interests
		215		Net income attributable to Kubota Corporation
Total	¥	(1,236)		

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

*2 Included in net periodic benefit costs (See Note 11. RETIREMENT AND PENSION PLANS.)

(¥ in millions)

For the three months ended September 30:

		Amount reclassified from accumulated other comprehensive income		Affected line item in the statement where net income is presented
			*1	
2017:				
Unrealized gains (losses) on securities	¥	(2,916)		Gain on sales of securities—net
		898		Income taxes
		(2,018)		Net income attributable to Kubota Corporation
Pension liability adjustments		240	*2	
		(73)		Income taxes
		167		Net income attributable to Kubota Corporation
Total	¥	(1,851)		
2016:				
Unrealized gains (losses) on securities	¥	(1,165)		Gain on sales of securities—net
		5		Other—net
		355		Income taxes
		(805)		Net income attributable to Kubota Corporation
Pension liability adjustments		104	*2	
		(31)		Income taxes
		73		Net income attributable to Kubota Corporation
Total	¥	(732)		

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

*2 Included in net periodic benefit costs (See Note 11. RETIREMENT AND PENSION PLANS.)

15. 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
The Board of Directors on August 3, 2017	Common stock	Retained earnings	¥ 18,564	¥ 15.00	June 30, 2017	September 1, 2017

Dividends with Record Date falling in the Nine Months Ended September 30, 2017 and with Effective Date coming after September 30, 2017

Not applicable

16. 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 September 30, 2017 was ¥14,110 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 29 asbestos-related lawsuits in Japan, which were filed against the Company or defendant parties consisting of the Japanese government and asbestos-related companies including the Company. The total claims for compensation of all 29 lawsuits is ¥26,684 million, which is related to 694 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 29 lawsuits. The Company discloses the aggregate claimed amount of the above ¥26,684 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 29 major lawsuits, six district courts ruled in favor of the Company, but the plaintiffs appealed the court ruling immediately after the judgments. Since the above cases will continue until an 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 in predicting 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 ¥208 million and ¥177 million at September 30, 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.

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

Reportable Segments

Information by reportable segment is summarized as follows:

(¥ in millions)

For the nine months ended September 30:	Farm & Industrial Machinery	Water & Environment	Other	Adjustments	Consolidated
2017:					
Revenues:					
External customers	¥ 1,041,594	¥ 203,490	¥ 21,567	¥ —	¥ 1,266,651
Intersegment	198	1,205	19,692	(21,095)	—
Total	1,041,792	204,695	41,259	(21,095)	1,266,651
Operating income	¥ 141,803	¥ 20,889	¥ 2,051	¥ (20,254)	¥ 144,489
2016:					
Revenues:					
External customers	¥ 946,784	¥ 212,905	¥ 21,687	¥ —	¥ 1,181,376
Intersegment	324	1,126	18,954	(20,404)	—
Total	947,108	214,031	40,641	(20,404)	1,181,376
Operating income	¥ 145,476	¥ 16,880	¥ 2,645	¥ (17,044)	¥ 147,957

(Notes)
1. "Adjustments" include the elimination of intersegment transfers and unallocated corporate expenses.
2. The aggregated amounts of operating income are equal to those presented in the consolidated statements of income. Refer to the consolidated statements of income for the reconciliation of operating income to income before income taxes and equity in net income of affiliated companies.
3. Intersegment transfers are recorded at values that approximate market prices.

(¥ in millions)

For the three months ended September 30:		Farm & Industrial Machinery		Water & Environment		Other		Adjustments		Consolidated
2017:										
Revenues:										
External customers	¥	349,171	¥	64,781	¥	6,703	¥	—	¥	420,655
Intersegment		32		226		6,363		(6,621)		—
Total		349,203		65,007		13,066		(6,621)		420,655
Operating income	¥	45,224	¥	4,650	¥	482	¥	(6,466)	¥	43,890
2016:										
Revenues:										
External customers	¥	315,414	¥	63,026	¥	6,800	¥	—	¥	385,240
Intersegment		33		425		6,578		(7,036)		—
Total		315,447		63,451		13,378		(7,036)		385,240
Operating income	¥	44,030	¥	3,230	¥	791	¥	(5,674)	¥	42,377

(Notes)

1. “Adjustments” include the elimination of intersegment transfers and unallocated corporate expenses.
2. The aggregated amounts of operating income are equal to those presented 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 nine months ended September 30:		2017		2016
Revenues from External customers by destination:				
Japan	¥	418,684	¥	413,133
North America		372,468		336,952
Europe		168,273		146,996
Asia outside Japan		256,213		236,768
Other areas		51,013		47,527
Total	¥	1,266,651	¥	1,181,376

(Notes)

1. Revenues from North America included those from the United States of ¥324,876 million and ¥298,304 million for the nine months ended September 30, 2017 and 2016, respectively.
2. There was no single customer from which revenues exceeded 10% of total consolidated revenues of the Company.

(¥ in millions)

For the three months ended September 30:		2017		2016
Revenues from External customers by destination:				
Japan	¥	138,060	¥	130,927
North America		127,748		115,907
Europe		48,984		37,626
Asia outside Japan		85,157		83,733
Other areas		20,706		17,047
Total	¥	420,655	¥	385,240

(Notes)

1. Revenues from North America included those from the United States of ¥112,601 million and ¥103,882 million for the three months ended September 30, 2017 and 2016, respectively.
2. There was no single customer from which revenues exceeded 10% of total consolidated revenues of the Company.

18. SUBSEQUENT EVENT

Not applicable

2. Other

On August 3, 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 June 30, 2017

2) Amount of Dividends
¥15.00 per common share, a total of ¥18,564 million

3) Effective Date of Claim of Payment and Start Date of Payment
September 1, 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]	November 10, 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 third quarter of the 128th fiscal year (from July 1, 2017 to September 30, 2017) were adequate under the Financial Instruments and Exchange Act of Japan.

2. Special Notes

Not applicable