

[Translation]

Annual Securities Report

(The 127th Business Term)

From January 1, 2016 to December 31, 2016

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

Kubota Corporation

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COVER

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This is an English translation of the original Annual Securities Report (“Yukashoken Hokokusho”) 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 translations of the Independent Auditors’ Report (filed under the Financial Instruments and Exchange Act of Japan), the Confirmation Letter, and the Management’s Report on Internal Control over Financial Reporting for the original Annual Securities Report are included at the end of this document.

As used in this Annual Securities Report herein, the “Company” refers to Kubota Corporation and its subsidiaries unless the context otherwise indicates.

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

Cautionary Statement with respect to Forward-Looking Statements

This document may contain forward-looking statements that are based on management’s expectations, estimates, projections and assumptions. These statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. Therefore, actual future results may differ materially from what is forecast in forward-looking statements due to a variety of factors, including, without limitation: general economic conditions in the

Company's markets, particularly government agricultural policies; levels of capital expenditures both in public and private sectors; foreign currency exchange rates; the occurrence of natural disasters; continued competitive pricing pressures in the marketplace; and the Company's ability to continue to gain acceptance of its products.

1. Overview of the Company

1. Key Financial Data

Fiscal year		127 th	126 th	125 th	124 th	123 rd	122 nd
		Business term	Business term	Business term	Business term	Business term	Business term
Year end		December 2016	December 2015	March 2015	March 2014	March 2013	March 2012
Revenues	(¥ in millions)	1,596,091	1,244,775	1,584,265	1,510,528	1,221,544	1,029,361
Income before income taxes and equity in net income of affiliated companies	(¥ in millions)	196,971	169,504	210,709	212,382	126,815	100,745
Net income attributable to Kubota Corporation	(¥ in millions)	132,485	110,107	139,534	132,666	77,761	62,052
Comprehensive income	(¥ in millions)	112,599	82,060	228,886	188,044	157,535	58,416
Kubota Corporation shareholders' equity	(¥ in millions)	1,198,761	1,140,310	1,100,079	935,757	794,501	676,043
Total equity	(¥ in millions)	1,271,925	1,218,558	1,178,466	1,001,575	853,193	734,065
Total assets	(¥ in millions)	2,670,582	2,532,926	2,472,163	2,110,687	1,852,577	1,555,133
Kubota Corporation shareholders' equity per common share	(¥)	966.19	916.28	883.10	748.76	632.59	538.28
Net income attributable to Kubota Corporation per common share:							
Basic	(¥)	106.58	88.47	111.68	105.74	61.91	49.15
Diluted	(¥)	—	—	—	—	—	—
Kubota Corporation shareholders' equity ratio	(%)	44.89	45.02	44.50	44.33	42.88	43.47
Return on equity	(%)	11.33	9.83	13.71	15.33	10.58	9.37
Price earnings ratio	(times)	15.65	21.34	17.04	12.93	21.61	16.17
Net cash provided by operating activities	(¥ in millions)	184,978	197,040	85,880	82,981	45,604	67,909
Net cash used in investing activities	(¥ in millions)	(167,525)	(130,307)	(117,227)	(104,555)	(79,167)	(64,072)
Net cash provided by (used in) financing activities	(¥ in millions)	11,364	(27,671)	47,994	6,771	30,864	(16,074)
Cash and cash equivalents, end of period	(¥ in millions)	169,416	146,286	112,428	88,405	98,445	93,941
Number of employees (Average number of part-time employees)	(number of persons)	38,291 (3,280)	36,233 (3,650)	35,487 (3,981)	33,845 (4,623)	31,436 (4,558)	29,185 (3,150)

(Notes)

- The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").
- Revenues do not include consumption taxes.
- Amounts less than presentation units are rounded.
- "Net income attributable to Kubota Corporation per common share—Diluted" is not stated because Kubota Corporation did not have potential dilutive common shares that were outstanding for the period.
- Beginning with the 124th business term, the Company aligned the reporting periods of certain subsidiaries and affiliated companies with different financial statement closing dates to that of Kubota Corporation. To reflect the impact of these changes, the Company has retrospectively adjusted the consolidated financial statements for all periods presented.
- Kubota Corporation changed its fiscal year-end from March 31 to December 31, from the 126th business term. The same changes in the fiscal year-ends were made to subsidiaries in Japan that had fiscal year-ends other than December 31. Accordingly, the 126th business term, the transitional period for the change in the fiscal year-end, was the nine-month period that commenced on April 1, 2015 and ended on December 31, 2015. In addition, certain subsidiaries and an affiliated company aligned their reporting periods, which were previously consolidated using their own reporting periods, to that of Kubota Corporation. To reflect the impact of these changes, the Company has retrospectively adjusted the consolidated financial statements for all periods presented.
- The Company adopted a new accounting standard related to debt issuance costs on January 1, 2016. To reflect the impact of the adoption, the Company has retrospectively adjusted the consolidated financial statements for all periods presented.

2. History

Month/Year	History
Feb. 1890	Founder Gonshiro Kubota established Kubota Tekko-jo in Okuraato-cho, Minami-ku, Osaka, JAPAN and started manufacturing and sales of various cast metal products.
Jul. 1893	Started production of cast iron pipes for water supply.
Feb. 1922	Started production of compact engines for agro-industrial purposes.
Feb., 1927	Acquired Sumidagawa Seitetsuzyo K.K. and expanded the cast iron pipes business.
Dec. 1930	Established K.K. Kubota Tekko-jo and K.K. Kubota Tekko-jo Machinery Department.
Mar. 1937	Consolidated K.K. Kubota Tekko-jo Machinery Department with K.K. Kubota Tekko-jo.
Nov. 1937	Established Sakai Plant and started mass-production of engines for agro-industrial purposes.
Oct. 1940	Established Mukogawa Plant and expanded the industrial machinery business. And started production of casting of centrifugal cast-iron pipes the following October.
May. 1949	Listed on the Tokyo Stock Exchange and Osaka Securities Exchange (integrated with Tokyo Stock Exchange in July, 2013).
Aug. 1950	Adopted divisionalized organization by product.
Dec. 1952	Started production of pumps in Mukogawa Machinery Plant.
Jun. 1953	Changed its corporate name to Kubota Tekko K.K.
Apr. 1954	Established a plant for vinyl pipes and started full production of plastic pipes.
Nov. 1957	Established Kubota Kenzai Kogyo K.K. and advanced into the housing materials business.
Dec. 1960	Established Funabashi Plant (relocated from Sumidagawa Plant) and completed a mass-production system of cast iron pipes.
May. 1961	Established Water Laboratory. And established the Water Treatment Division for full-scale entry into the environmental improvement business the following December.
May. 1962	Established Hirakata machinery Plant and Hirakata steel casting Plant and completed building an integrated system for industrial machinery and steel casting products.
Jan. 1967	Established Odawara Plant. Absorbed manufacturing sector of Kubota Kenzai Kogyo K.K. for full-scale entry into the housing materials business in June of the same year.
May. 1969	Established Utsunomiya Plant and completed a mass-production system of rice transplanters and reaper binders.
Jun. 1972	Absorbed Kanto Daikei Koukan K.K. Changed its name to Ichikawa Plant and continued to manufacture spiral welded steel pipes.
Sep. 1972	Established Kubota Tractor Corporation in the U.S. and strengthened the selling system of tractors in North America.
Sep. 1973	Established Kyuhoji Plant as a plant for precision equipment by relocating manufacturing facilities from Funademachi Plant.
Mar. 1974	Established Kubota Tractor Europe S.A. (currently Kubota Europe S.A.S.) in France and strengthened the selling system for farm equipment in Europe.
Aug. 1975	Established Tsukuba Plant, as a specialized mass production factory for tractors.
Nov. 1976	Listed on the New York Stock Exchange.
Apr. 1980	Established Kashima Plant, as a specialized factory for siding materials.
Jan. 1985	Established Sakai-Rinkai Plant in Sakai Plant, as a specialized factory for engines.
Mar. 1989	Established Ryugasaki Plant, as a specialized mass production factory for vending machines.
Apr. 1990	Changed its corporate name to Kubota Corporation.
Oct. 2002	Established Hanshin Office as a hub for environmental engineering in the Kansai area.
Dec. 2003	Separated the housing materials business and Kubota Matsushitadenko Exterior Works, Ltd. (currently KMEW Co., Ltd.) took over its business.
Aug. 2004	Acquired additional shares of The Siam Kubota Industry Co., Ltd. (currently SIAM KUBOTA Corporation Co., Ltd.), which had been an affiliated company in Thailand, to make it a consolidated subsidiary and strengthened development, manufacturing, and sales of farm equipment in Southeast Asia.
Apr. 2005	Established Kubota-C.I. Co., Ltd. by business integration of plastic pipes with C.I. Kasei Co., Ltd. (currently Kubota ChemiX Co., Ltd.)
Sep. 2007	Established Siam Kubota Tractor Co., Ltd. (currently SIAM KUBOTA Corporation Co., Ltd.) as a manufacturing base for tractors in Thailand.
Dec. 2009	Established Kubota Saudi Arabia Company, LLC as a hub for the steel casting business in Saudi Arabia.
Mar. 2012	Acquired ownership interest of Kverneland ASA (currently Kverneland AS), a manufacturer of upland farming implements in Norway, and made it a consolidated subsidiary.
Jul. 2013	Delisted from the New York Stock Exchange.

3. Description of Business

The Company is comprised of Kubota Corporation and 189 affiliates (as of December 31, 2016, 172 subsidiaries, including variable interest entities, and 17 affiliated companies) and engages in various fields of business and industry by providing products and services which are categorized into the three segments: Farm & Industrial Machinery, Water & Environment, and Other as of December 31, 2016.

The Company's consolidated financial statements are prepared in accordance with U.S. GAAP. The scope of consolidation is also defined in accordance with these accounting principles. The same applies to "2. Business Overview" and "3. Property, Plant, and Equipment."

The business and role of the Company by reporting segment are as follows:

(1) Farm & Industrial Machinery

Farm & Industrial Machinery mainly engages in manufacturing and sales of products which are comprised of farm equipment, agricultural-related products, engines, construction machinery, and electronic equipped machinery.

1) Main Products

Farm equipment and agricultural-related products	Tractors, Power tillers, Combine harvesters, Rice transplanters, Lawn mowers, Utility vehicles, Other agricultural machineries, Implements, Attachments, Post-harvest machineries, Vegetable production equipment, Other equipment for agricultural use, Cooperative drying facilities, Rice seedling facilities, Rice mill plants, and Gardening facilities
Engines	Engines (for farming, construction, industrial machinery, and generators)
Construction machinery	Mini excavators, Wheel loaders, Compact track loaders, Skid steer loaders, and Other construction machinery related products
Electronic equipped machinery	Scales, Weighing and measuring control systems, Vending machines for drinks, Air-conditioning equipment, and Air purifier with humidification function

2) Main Subsidiaries and Affiliated Companies

(Manufacturing and Sales)

- (Domestic) Kubota Air Conditioner, Ltd.,
- (Overseas) Kubota Manufacturing of America Corporation,
Kubota Industrial Equipment Corporation,
Kubota Farm Machinery Europe S.A.S,
Kubota Baumaschinen GmbH,
Kverneland AS and its 34 subsidiaries,
Kubota Agricultural Machinery (SUZHOU) Co., Ltd.,
Kubota Construction Machinery (Wuxi) Co., Ltd.,
SIAM KUBOTA Corporation Co., Ltd.,
SIAM KUBOTA Metal Technology Co., Ltd.,
KUBOTA Engine (Thailand) Co., Ltd.

(Sales and Other Services)

- (Domestic) 17 farm equipment sales companies including Hokkaido Kubota Corporation,
KUBOTA Construction Machinery Japan Corporation,
Kubota Agri Service Corporation
- (Overseas) Kubota U.S.A., Inc.,
Kubota Tractor Corporation,
Kubota Engine America Corporation,
Kubota Canada Ltd.,

Kubota Europe S.A.S.,
 Kubota (Deutschland) GmbH,
 Kubota (U.K.) Ltd.,
 Kubota Tractor Australia Pty Ltd

(Financial Leasing)

(Domestic) Kubota Credit Co., Ltd.,
 (Overseas) Kubota Credit Corporation, U.S.A.,
 Siam Kubota Leasing Co., Ltd.

(2) Water & Environment

Water & Environment mainly engages in manufacturing and sales 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 casting, ceramics, spiral welded steel pipes, and other products).

1) Main Products

Pipe-related products	Ductile iron pipes, Plastic pipes, Pumps and plants, Valves, Single stack drain fittings, and Design and construction of construction works
Environment-related products	Waste water treatment equipment and plants, Water purification plants, Membrane solutions, Night-soil treatment plants, Waste incinerating and melting plants, Waste shredding and sorting plants, Flue gas desulfurization apparatus, Membrane methane fermentation plants, Wastewater treatment plant (Johkasou), and Bathtubs
Social infrastructure-related products	Reformer and cracking tubes, Hearth rolls, Rolls for steel mills, Ceramics, TXAX (friction materials), and Spiral welded steel pipes (steel pipe piles, steel pipe sheet piles)

2) Main Subsidiaries and Affiliated Companies

(Manufacturing and Sales)

(Domestic) Kubota ChemiX Co., Ltd.,
 NIPPON PLASTIC INDUSTRY CO., LTD.,
 (Overseas) Kubota Materials Canada Corporation,
 Kubota Saudi Arabia Company, LLC

(Maintenance and Repair)

(Domestic) Kubota Environmental Service Co., Ltd.

(Design and Construction)

(Domestic) Kubota Construction Co., Ltd.

(3) Other

Other mainly engages in offering a variety of other services, and manufacturing and sales of housing materials.

1) Main Products

Other	Services, such as logistics, financing, and roofing and siding materials
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2) Main Subsidiaries and Affiliated Companies

(Manufacturing and Sales)

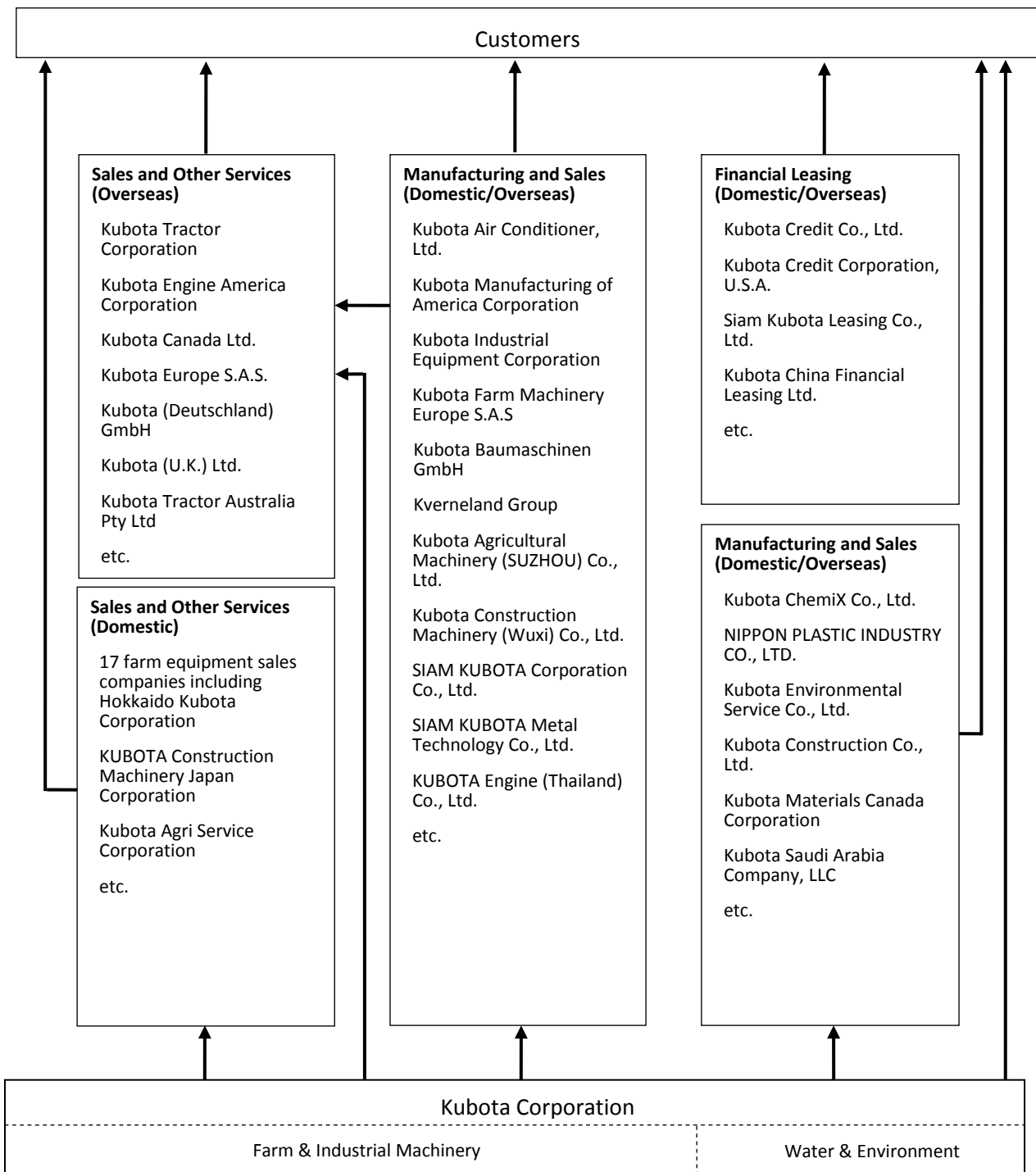
(Domestic) KMEW Co., Ltd.

(Other Services)

(Domestic) KUBOTA LOGISTICS Corporation

(Overseas) Kubota China Holdings Co., Ltd.,
 Kubota China Financial Leasing Ltd.

(Business distribution diagram)



4. Information on Subsidiaries and Affiliated Companies

(As of December 31, 2016)

Company Name (Subsidiaries)	Location	Issued capital (¥ in millions)	Principal business	Ownership percentage of voting rights (%)	Relationship		Business transaction, etc.
					Officer/employee from Kubota (number of persons)	officer employee	
8 domestic farm equipment sales companies including Hokkaido Kubota Corporation	Nishi-ku, Sapporo, JAPAN, etc.	100	Sales of farm equipment, etc.	78.7	—	2	Lease of facilities from Kubota Corporation, sales of Kubota Corporation's products
KUBOTA Construction Machinery Japan Corporation	Amagasaki-shi, Hyogo, JAPAN	300	Sales of construction machinery, etc.	100.0	—	5	Lease of facilities from Kubota Corporation, sales of Kubota Corporation's products
Kubota Credit Co., Ltd.	Naniwa-ku, Osaka, JAPAN	500	Retail financing to purchasers of farm equipment and related products in Japan	(17.3) 72.3	2	—	Loans from Kubota Corporation, lease of facilities from Kubota Corporation, credit guarantees
Kubota Agri Service Corporation	Naniwa-ku, Osaka, JAPAN	90	Technical and sales guidance, and sales promotion on agricultural-related products	100.0	2	7	Lease of facilities from Kubota Corporation, representative service and sales for Kubota Corporation
KUBOTA Seiki Co., Ltd.	Mihara-ku, Sakai, JAPAN	480	Manufacturing and sales of farm equipment parts, agricultural-related products, construction facilities, etc.	100.0	2	—	Material supplies to Kubota Corporation
Kubota Machinery Trading Co., Ltd.	Naniwa-ku, Osaka, JAPAN	30	Export and import of repair parts related to farm equipment, engines, and construction machinery	100.0	—	1	Lease of facilities from Kubota Corporation, material supplies to Kubota Corporation
Kubota Engine Japan Corporation	Naniwa-ku, Osaka, JAPAN	310	Sales of engines, etc.	100.0	1	2	Lease of facilities from Kubota Corporation, sales of Kubota Corporation's products
Kubota Air Conditioner, Ltd.	Chuo-ku, Tokyo, JAPAN	400	Manufacturing and sales of air conditioning equipment, refrigerating, etc.	100.0	—	3	Loans from Kubota Corporation, Lease of facilities from Kubota Corporation, sales of its products to Kubota
Kubota U.S.A., Inc. (Note 3)	Delaware, U.S.A.	(thousands of US\$) 597,100	Administration of subsidiaries in the U.S.	100.0	5	1	
Kubota Tractor Corporation (Note 3) (Note 4)	California, U.S.A.	(thousands of US\$) 37,000	Sales of tractors, construction machinery, and related products in the U.S.	(100.0) 100.0	3	2	Sales of Kubota Corporation's products
Kubota Credit Corporation U.S.A.	California, U.S.A.	(thousands of US\$) 8,000	Retail financing to purchasers of tractors, construction machinery, and related products in the U.S.	(90.0) 100.0	1	1	
Kubota Manufacturing of America Corporation	Georgia, U.S.A.	(thousands of US\$) 10,900	Manufacturing of small-sized tractors, lawn mowers, and utility vehicles	(100.0) 100.0	3	2	

Kubota Industrial Equipment Corporation	Georgia, U.S.A.	(thousands of US\$) 70,000	Manufacturing of tractors, implements, and construction machinery	(100.0) 100.0	3	2	
Kubota Engine America Corporation	Illinois, U.S.A.	(thousands of US\$) 10,000	Sales of engines, engine parts, and engine accessories, and engineering and after-sales service of engines	(100.0) 100.0	—	4	Sales of Kubota Corporation's products
Kubota Insurance Corporation	Hawaii, U.S.A.	(thousands of US\$) 2,000	Underwriting non-life insurance in the U.S.	(100.0) 100.0	1	—	
Kubota Tractor Acceptance Corporation	California, U.S.A.	(thousands of US\$) 500	Business of insurance agencies in the U.S.	(100.0) 100.0	1	1	
Great Plains Manufacturing, Inc. and its 20 subsidiaries	Kansas, U.S.A	(thousands of US\$) 90	Manufacturing and sales of implements.	100.0	2	—	
Kubota Canada Ltd.	Ontario, CANADA	(thousands of CAN\$) 6,000	Sales of tractors and construction machinery, etc., in Canada	100.0	1	1	Sales of Kubota Corporation's products
Kubota Europe S.A.S.	Val-d'Oise, FRANCE	(thousands of EUR) 11,167	Sales of tractors, engines, construction machinery, etc., in Europe, mainly in France	100.0	1	2	Sales of Kubota Corporation's products
Kubota Farm Machinery Europe S.A.S.	Nord, FRANCE	(thousands of EUR) 57,000	Manufacturing of upland farming tractors for Europe, North America, Australia, and Japan	100.0	—	1	
Kubota Baumaschinen GmbH	Rhineland-Palatinate, GERMANY	(thousands of EUR) 14,316	Manufacturing and sales of construction machinery in Europe, mainly in Germany	100.0	—	3	Purchase of Kubota Corporation's products
Kubota (Deutschland) GmbH	Hessen, GERMANY	(thousands of EUR) 3,579	Sales of tractors, tillers, engines, etc., in Germany	100.0	—	2	Sales of Kubota Corporation's products
Kubota (U.K.) Ltd.	Oxfordshire, U.K.	(thousands of £STG) 2,000	Sales of tractors, engines, construction machinery, etc., in U.K. and Ireland	100.0	1	—	Sales of Kubota Corporation's products
Kubota España S.A.	Madrid, SPAIN	(thousands of EUR) 4,207	Sales of tractors, spare parts, etc., in Spain	(0.1) 100.0	—	2	Sales of Kubota Corporation's products
Kubota Norway Holdings AS	Oslo, NORWAY	(thousands of NOK) 1,300	A subsidiary established for acquisition	100.0	1	—	
Kverneland AS and its 34 subsidiaries	Rogaland, NORWAY	(thousands of EUR) 17,424	Manufacturing and sales of agricultural implements	(100.0) 100.0	3	1	
SIAM KUBOTA Corporation Co., Ltd. (Note 3)	Pathumthani, THAILAND	(thousands of THB) 2,739,000	Manufacturing and sales of tractors, combine harvesters, implement, horizontal type diesel engines, power tillers, etc., in Thailand and neighboring countries	60.0	3	3	Purchase of Kubota Corporation's products
SIAM KUBOTA Metal Technology Co., Ltd.	Chachoengsao, THAILAND	(thousands of THB) 900,000	Manufacturing of casting parts for tractors and engines	(100.0) 100.0	1	2	
Siam Kubota Leasing Co., Ltd.	Pathumthani, THAILAND	(thousands of THB) 2,000,000	Retail financing to purchasers of tractors, combine harvesters, etc., in Thailand	(100.0) 100.0	1	2	

KUBOTA Engine (Thailand) Co., Ltd.	Chachoengsao, THAILAND	(thousands of THB) 1,400,000	Manufacturing and sales of diesel engines	100.0	1	4	
Kubota Agricultural Machinery (SUZHOU) Co., Ltd.	Jiangsu, CHINA	(thousands of RMB) 170,999	Manufacturing and sales of combine harvesters, rice transplanters, tractors, and related parts in China	(100.0) 100.0	2	3	Purchase of Kubota Corporation's products
Kubota Construction Machinery (SHANGHAI) Co., Ltd.	Shanghai, CHINA	(thousands of RMB) 8,277	Sales of construction machinery, etc., in China	(100.0) 100.0	1	4	Sales of Kubota Corporation's products
Kubota Construction Machinery (Wuxi) Co., Ltd.	Jiangsu, CHINA	(thousands of RMB) 289,035	Manufacturing of construction machinery in China	(100.0) 100.0	1	4	
Kubota China Holdings Co., Ltd. (Note 3)	Shanghai, CHINA	(thousands of RMB) 1,701,861	Administration of subsidiaries in China	100.0	5	—	
Kubota Engine (WUXI) Co., Ltd.	Jiangsu, CHINA	(thousands of RMB) 508,461	Manufacturing and sales of diesel engines	(100.0) 100.0	1	4	
Kubota China Financial Leasing Ltd.	Shanghai, CHINA	(thousands of RMB) 527,092	Finance leasing to purchasers of farm equipment and construction machinery in China	(100.0) 100.0	2	2	
Kubota Engine (SHANGHAI) Co., Ltd.	Shanghai, CHINA	(thousands of RMB) 7,190	Sales of diesel engines	(100.0) 100.0	1	4	Sales of Kubota Corporation's products
P.T. Kubota Indonesia	Jawa Tengah, INDONESIA	(thousands of IDR) 6,258,200	Manufacturing and sales of horizontal type diesel engines	90.0	—	5	Purchase of Kubota Corporation's products
Kubota Korea Co., Ltd.	Seoul, KOREA	(thousands of KRW) 200,000	Sales of farm equipment, etc., in Korea	80.0	—	4	Sales of Kubota Corporation's products
Kubota Agricultural Machinery India Pvt., Ltd.	Tamil Nadu, INDIA	(thousands of INR) 500,000	Sales of farm equipment, etc., in India	60.0	—	3	Purchase of Kubota Corporation's products
Kubota Vietnam Co., Ltd.	Binh Duong, VIETNAM	(thousands of VND) 151,456,000	Manufacturing and sales of tractors, combine harvesters, and implement, etc.	(20.0) 100.0	2	1	Purchase of Kubota Corporation's products
Kubota Philippines, Inc.	Manila, PHILIPPINES	(thousands of PHP) 100,000	Sales of small-sized diesel engines, tractors, combine harvesters, rice transplanters and related implements, etc., in Philippines	85.0	—	3	
Kubota Tractor Australia Pty Ltd	Victoria, AUSTRALIA	(thousands of A\$) 6,000	Sales of tractors, engines, small-sized construction machinery, etc., in Australia	80.0	—	2	Sales of Kubota Corporation's products
Kubota ChemiX Co., Ltd.	Naniwa-ku, Osaka, JAPAN	3,000	Manufacturing and sales of plastic pipes and fittings	100.0	1	—	Loans from Kubota Corporation, Lease of facilities from Kubota Corporation

Kubota Environmental Service Co., Ltd.	Taito-ku, Tokyo, JAPAN	90	Operation, maintenance, design, construction, remodeling and repair of water and waste treatment facilities, along with sales of pharmaceutical, etc., and analysis of water quality, air, waste, etc.	100.0	1	—	Lease of facilities from Kubota Corporation, maintenance of facilities constructed by Kubota Corporation, analysis of water quality, waste, etc.
SAPPORO TAISEI KIKO CORPORATION	Shiroishi-ku, Sapporo, Hokkaido, JAPAN	95	Sales of cast iron pipes, other pipes, and their attachments	100.0	—	1	Sales of Kubota Corporation's products
NIPPON PLASTIC INDUSTRY CO., LTD.	Komaki-shi, Aichi, JAPAN	175	Manufacturing, processing, and sales of plastics product	67.0	—	1	
Kubota Kikou Corporation	Hirakata-shi, Osaka, JAPAN	50	Installation work, repair, and maintenance of pumps	100.0	—	3	Lease of facilities from Kubota Corporation, installation work, repair, and maintenance of Kubota Corporation's products
KUBOTA KASUI Corporation and its 8 subsidiaries	Minato-ku, Tokyo, JAPAN	400	Environmental engineering related to treatment of industrial drainage and exhaust gas	100.0	—	3	Loans from Kubota Corporation
KUBOTA JOHKASOU SYSTEM CO.,LTD.	Naniwa-ku, Osaka, JAPAN	30	Sales of housing equipment such as septic tanks, etc., and contracting on related construction	100.0	—	2	Lease of facilities from Kubota Corporation, construction control, maintenance, sale, and related construction for Kubota Corporation's products
KUBOTA VENDING SERVICE INC.	Ryugasaki-shi, Ibaraki, JAPAN	25	Sales, installation, repair, and technical guidance for vending machines and their devices	100.0	—	4	Lease of facilities from Kubota Corporation, installation and after-sales service of Kubota products
KUBOTA KEISO Corporation	Funabashi-shi, Chiba, JAPAN	15	Sales of various industrial scale, providing maintenance service	100.0	—	2	Lease of facilities from Kubota Corporation, sales of Kubota Corporation's products
Kubota Materials Canada Corporation	Ontario, CANADA	(thousands of CAN\$) 15,000	Manufacturing and sales of steel casting products in North America	100.0	—	1	Purchase of Kubota Corporation's products
Kubota Saudi Arabia Company, LLC	Ash Sharqiyah, SAUDI ARABIA	(thousands of SR) 56,250	Manufacturing and sales of reformer & cracking tubes for Middle East, North Africa, and Europe	51.0	—	2	Purchase of Kubota Corporation's products, debt guarantees
Kubota Construction Co., Ltd.	Naniwa-ku, Osaka, JAPAN	400	Design and construction of water and sewage, civil engineering, etc.	100.0	1	1	Loans from Kubota Corporation, lease of facilities from Kubota Corporation, contracting and construction of Kubota Corporation's works
KUBOTA SYSTEMS INC.	Naniwa-ku, Osaka, JAPAN	400	Design and development of information system and data processing service, and sales of hardware	100.0	—	1	Lease of facilities from Kubota Corporation, development of information system and data processing service
KUBOTA LOGISTICS Corporation	Naniwa-ku, Osaka, JAPAN	75	Warehousing business, service related to transportation, coastal shipping, and forwarding business	100.0	—	—	Lease of facilities from Kubota Corporation, transportation and storage of Kubota Corporation's products

Kubota Eight Corp.	Naniwa-ku, Osaka, JAPAN	40	Contracting on binding and printing, sales of office automation equipment, and business of travel agencies	(5.0) 100.0	—	4	Lease of facilities from Kubota Corporation, contracting on copying, binding, printing, etc. for Kubota Corporation
Heiwa Kanzai Co., Ltd.	Chuo-ku, Tokyo, JAPAN	50	Cleaning and controlling of building, security guarding, business of real-estate	60.0	—	—	Lease of facilities from Kubota Corporation, contracting on building maintenance of Kubota Corporation
Other 44 companies							

(Affiliated companies)							
9 domestic farm equipment sales companies including Akita Kubota Corporation	Akita-shi, Akita, JAPAN	60	Sales of farm equipment, etc.	35.7	—	2	Lease of facilities from Kubota Corporation, Sales of Kubota Corporation's products
KMEW Co., Ltd.	Chuo-ku, Osaka, JAPAN	8,000	Manufacturing and sales of roofing and siding materials	50.0	2	—	Lease of facilities from Kubota Corporation
Other 7 companies							

(Notes)

1. There is no company which files an annual securities report.
2. The amounts in parentheses in the upper row of the "Ownership percentage of voting rights" column represent the percentage of voting rights owned by subsidiaries, of the total ownership percentage.
3. Specified companies under the Financial Instruments and Exchange Act of Japan
4. Revenues of Kubota Tractor Corporation (excluding intercompany transfers) exceeded 10% of total consolidated revenues of the Company. Its major financial data for the year ended December 31, 2016 were: revenues, ¥332,134 million; income before income taxes, ¥26,902 million; and net income, ¥16,669 million; and at December 31, 2016 were: total equity, ¥188,731 million; and total assets, ¥344,926 million.

5. Employees

(1) Consolidated basis

(As of December 31, 2016)

Reporting segment	Number of employees	
Farm & Industrial Machinery	27,948	(2,823)
Water & Environment	7,207	(246)
Other	1,502	(210)
Corporate	1,634	(1)
Total	38,291	(3,280)

(Note)

The number of employees refers solely to full-time employees of the Company on a consolidated basis. In addition, the number in parentheses in the "Number of employees" column is the average number of part-time employees for the fiscal year.

(2) Kubota Corporation

(As of December 31, 2016)

Number of employees	Average age	Average length of service	Average annual salary
11,123	40.4	15.5 years	¥ 8,128,260

Reporting segment	Number of employees
Farm & Industrial Machinery	6,478
Water & Environment	3,011
Corporate	1,634
Total	11,123

(Notes)

1. The number of employees refers solely to full-time employees of Kubota Corporation.
2. Average annual salary includes bonuses and extra wages.

(3) Relationship with labor unions

The relationship between management and labor unions is quite stable and smooth.

2. Business Overview

1. Summary of Business Results

(1) Analyses of Results of Operations

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

For the year ended December 31, 2016, revenues of the Company decreased by ¥92.5 billion (5.5%) from the corresponding period in the prior year to ¥1,596.1 billion.

In the domestic market, revenues decreased by ¥28.9 billion (5.0%) from the corresponding period in the prior year to ¥551.4 billion. Domestic revenues decreased due to lower sales of farm equipment and construction machinery as well as the negative effects of weak sales related to public works spending.

In overseas markets, revenues decreased by ¥63.6 billion (5.7%) from the corresponding period in the prior year to ¥1,044.7 billion because of the significant negative effects of foreign exchange rate conversion due to yen appreciation. Sales of construction machinery in North America and combines in Asia were strong while sales of tractors in North America and ductile iron pipes in the Middle East decreased sharply. As a result, overseas revenues accounted for 65.5% of consolidated revenues, 0.1 percent lower than in the corresponding period in the prior year.

Operating income decreased by ¥34.1 billion (15.3%) from the corresponding period in the prior year to ¥188.8 billion due to the weak sales in the domestic market and the effect of yen appreciation. Income before income taxes and equity in net income of affiliated companies decreased by ¥27.1 billion (12.1%) to ¥197.0 billion. Income taxes were ¥56.5 billion, and equity in net income of affiliated companies was ¥2.4 billion. Furthermore, after the deduction of net income attributable to non-controlling interests of ¥10.4 billion, net income attributable to Kubota Corporation was ¥132.5 billion, ¥16.9 billion (11.3%) lower than in the corresponding period in the prior year.

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 5.1% from the corresponding period in the prior year to ¥1,272.1 billion and accounted for 79.7% of the consolidated revenues.

Domestic revenues decreased by 7.0% from the corresponding period in the prior year to ¥281.5 billion. Sales of farm equipment and construction machinery decreased mainly due to the adverse reaction to the front-loaded demand caused by the strengthening of emissions regulations in the last fiscal year.

Overseas revenues decreased by 4.6% from the corresponding period in the prior year to ¥990.7 billion. Overseas sales grew steadily on a local currency basis, without foreign currency translation effects, in all regions. In North America, significantly increased sales of construction machinery, due to the full-scale introduction of new products, offset a decline in sales of tractors, which was caused by stagnation in the agricultural market and inventory control by dealers. Revenues in Europe expanded due to higher sales of tractors, engines, and construction machinery owing to the effect of full-scale entry into the large-scale tractor business and market recovery along with the bottoming out of the economy and the investment promotional tax policy while the implements business for the agriculture-related market stagnated. Revenues in Asia outside Japan were higher than in the prior year. In Thailand, revenues in the first half were weak due to a water shortage caused by drought, and revenues in the second half were also weak due to the sharp reduction in rice prices, despite normal rainfall. Revenues in China were strong due to the favorable sales of head-feeding combines and rice transplanters. In addition, revenues also increased in ASEAN countries where agricultural mechanization has been proceeding. However, revenues translated into yen in all regions, North America, Europe, and Asia outside Japan,

decreased due to the effects of considerable yen appreciation against all foreign currencies.

Operating income in this segment decreased by 16.5% from the corresponding period in the prior year to ¥185.0 billion since the increased overseas revenues on a local currency basis could not offset the negative effects of decreased domestic revenues and yen appreciation.

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 7.5% from the corresponding period in the prior year to ¥294.5 billion and accounted for 18.5% of consolidated revenues.

Domestic revenues decreased by 3.2% from the corresponding period in the prior year to ¥240.9 billion. Revenues from pipe-related products decreased due to lower sales of pumps and plastic pipes mainly related to public works spending. Revenues from environment-related products and social infrastructure-related products also decreased compared with the corresponding period in the prior year.

Overseas revenues decreased by 22.8% from the corresponding period in the prior year to ¥53.7 billion mainly due to a large drop in shipments of ductile iron pipes to the Middle East for large-scale projects while revenues from environment-related products expanded.

Operating income in this segment decreased by 13.3% from the corresponding period in the prior year to ¥22.2 billion due to 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 0.1% from the corresponding period in the prior year to ¥29.4 billion and accounted for 1.8% of consolidated revenues.

Operating income in this segment increased by 14.2% from the corresponding period in the prior year to ¥3.6 billion.

(2) Analyses of Cash Flows

Net cash provided by operating activities during the year ended December 31, 2016 was ¥185.0 billion, a decrease of ¥20.9 billion in net cash inflow compared with the corresponding period in the prior year. This decrease resulted from a decline in net income as well as changes in working capital items, such as notes and accounts receivable and trade notes and accounts payable.

Net cash used in investing activities was ¥167.5 billion, an increase of ¥30.4 billion in net cash outflow compared with the corresponding period in the prior year. This increase was mainly due to increased payments for acquisition of businesses while cash outflow related to an increase in finance receivables decreased.

Net cash provided by financing activities was ¥11.4 billion, which was mainly due to an increase in cash inflow from borrowings, as compared to ¥37.2 billion of net cash outflow for the corresponding period in the prior year.

As a result, after taking into account of the effect of exchange rate changes, cash and cash equivalents at December 31, 2016 were ¥169.4 billion, an increase of ¥23.1 billion from the beginning of the current fiscal year.

2. Production, Orders Received, and Revenues

(1) Production Results

Consolidated production results by reporting segment for the year ended December 31, 2016 were as follows:

Reporting segment	Amount (¥ in millions)	Change from the prior year (%)
Farm & Industrial Machinery	¥ 1,240,018	—
Water & Environment	284,938	—
Other	29,163	—
Total	¥ 1,554,119	—

(Notes)

1. Intersegment transfers are eliminated.
2. Amounts are recorded at sales price.
3. Amounts do not include consumption taxes.
4. Due to the change in the fiscal year-end, the 126th business term was the nine-month period that commenced on April 1, 2015 and ended on December 31, 2015, and the changes from the prior year are not stated.

(2) Orders Received

Consolidated orders received by reporting segment for the year ended December 31, 2016 were as follows:

Except for Electronic Equipped Machinery, Farm & Industrial Machinery products are not made-to-order and some Water & Environment and Other products are not made-to-order, either.

Reporting segment	Amount (¥ in millions)	Change from the prior year (%)	Balance (¥ in millions)	Change from the prior year (%)
Farm & Industrial Machinery	¥ 12,143	—	¥ 3,222	—
Water & Environment	229,330	—	153,012	—
Other	5,800	—	2,212	—
Total	¥ 247,273	—	¥ 155,446	—

(Notes)

1. Intersegment transfers are eliminated.
2. Amounts do not include consumption taxes.
3. Due to the change in the fiscal year-end, the 126th business term was the nine-month period that commenced on April 1, 2015 and ended on December 31, 2015, the changes from the prior year are not stated.

(3) Revenues

Consolidated revenues by reporting segment for the year ended December 31, 2016 were as follows:

Reporting segment	Amount (¥ in millions)	Change from the prior year (%)
Farm & Industrial Machinery	¥ 1,272,144	—
Water & Environment	294,530	—
Other	29,417	—
Total	¥ 1,596,091	—

(Notes)

1. Intersegment transfers are eliminated.
2. There was no single customer from whom revenues exceeded 10% or more of the Company's total consolidated revenues for the year ended December 31, 2016 and the nine months ended December 31, 2015.
3. Amounts do not include consumption taxes.
4. Due to the change in the fiscal year-end, the 126th business term was the nine-month period that commenced on April 1, 2015 and ended on December 31, 2015, and the changes from the prior year are not stated.

3. Business Issues to Address

The Company is working to substantially upgrade all aspects of management and steadily implements its growth strategy, which is based on a long-term perspective, with the objective of becoming a "Global Major Brand Kubota." The Company will work to attain long-term sustainable growth by providing solutions to issues in the fields of food, water, and the environment and promote activities that contribute to society. To realize these objectives, the Company is currently

taking on the following four initiatives.

(1) Accelerating Business Development in Strategic Fields

As a result of the impact of substantial yen appreciation during the current fiscal year, the Company, regrettably, did not attain its targets for performance. However, in strategic fields, the Company made steady progress in strategic businesses with the aim of improving performance in the mid-to-long term. Looking ahead, the Company will work to accelerate this improvement.

To further penetration of the upland farming equipment market, the Company will quickly put production, sales, and service activities for large-scale tractors, which the Company actively introduced in the previous year, on the right track and hasten improvements of products to reflect the customer's feedbacks in the market. In addition, the Company will accelerate the development of new products by drawing on the capabilities of marketing offices and research and development ("R&D") departments in Europe and the U. S. In the implements business, the Company will pursue synergies between its European subsidiary, Kverneland AS, and its U.S. subsidiary, Great Plains Manufacturing, Inc., which the Company acquired in 2016, and realign its implements business in Europe and the U.S. Moreover, in Asia, the Company has identified India, which has the largest demand for tractors in the world, as a major market in the Company's overseas strategy and will work to establish the Kubota brand there as quickly as possible.

In the overseas markets for construction machinery, skid steer loaders, which the Company actively introduced in the North American market, received a highly favorable appraisal in the market. This has enabled the Company to take another major step in developing its position as a comprehensive manufacturer of small-sized construction machinery. Looking ahead, the Company will proceed to further expand its lineup, and move toward consolidating its position as the No.1 manufacturer of small-sized construction machinery in North America. In addition, in Europe and Asia, the Company will also proceed with the major expansion of its business and aim to become globally established.

Engines are crucial components for both farm equipment and construction machinery, and the Company is strengthening its position both for engines used in the Company's equipment and the external sales. The Company is strengthening its capabilities for meeting the emissions regulations of world markets and supplying eco-friendly products, and expanding engine lineup to respond to a wide range of customer demands. Moreover, as for utility vehicles (multipurpose four-wheel-drive vehicles), mowers, and others, the Company is working to enter new markets where the Company does not currently have a presence to tap into their high growth potential.

(2) Increasing Profitability and Strengthening Business and Financial Positions

In a challenging business environment, the Company must expand income sustainably for growth in the mid-to-long term, and for an expansion of its customer base. The Company is aiming for "expansion in revenues" through acceleration of the development of strategic fields while also placing emphasis on "expansion in income," and increasing profitability and strengthening business and financial positions.

In the farm equipment business in Japan, the Company is promoting the expansion and upgrading of KSAS ("KUBOTA Smart Agri System"), an agricultural support system which is an innovative new system using ICT (Information & Communication Technology), and "Kubota's Farm" (a testing plant for profitable farming). The Company is also strengthening agriculture-related products, including vegetable production equipment and post-harvest machineries, while also improving the productivity of its sales companies through the use of IT applications and realigning its distribution network. Through these initiatives, the Company is planning to revitalize its agricultural machinery business in Japan and aims to gain overwhelming share of the domestic market. Moreover, the Company will also launch new business functions and organizations in order to strengthen profitability in the agricultural machinery business in Japan.

In the Water & Environment business, the Company is aiming to increase profitability without relying on increases in revenues, and is focusing on strengthening its business position. In addition to creating organizational systems suited to the market that are efficient and effective, and reforming low-profitability businesses, the Company will review the regions and technologies that the Company believes it should focus on going forward from the viewpoints of growth potential and profitability.

In both the Farm & Industrial Machinery and the Water & Environment businesses, the Company is continuing to work to reduce notes and accounts receivable and inventories to increase management efficiency. The Company's aim is

to have each business location and subsidiary meet its targets for the above reductions by implementing structural and continual measures to reduce total lead times through the “Kubota Production System.”

The Company’s fixed costs were on a rising trend because of investments for future business growth. With the assumption that the business environment is expected to become more challenging for the time being, the Company has conducted a full-scale review of fixed-costs to achieve a fixed cost structure appropriate for its business growth and profitability.

(3) Raising Capabilities for and Improving Efficiency of Technology Development

To cope with the sharp rise in technology development issues and provide quality and prices that exceed customers’ expectations through product development in line with regional needs, the Company is moving rapidly to raise the level of its technology development capabilities and efficiency. The Company will substantially emphasize the structuring of global development systems, including R&D centers newly established in Thailand, strengthen staff of young technicians through the introduction of human resource development programs, make major reductions in development lead times through reforms in R&D processes, and strengthen hiring and training of R&D personnel. Also, the Company will aim to upgrade KSAS and apply that technology in the Water & Environment business through placing a strong priority on developing advanced technology and to be the industry leader to commercialize precision farming and robotics.

(4) Globalize All Aspects of Management

The Company will substantially upgrade a range of management functions to realize the globalization for all aspects of management as a “Global Major Brand.” The “Kubota Production System” is indispensable in continuing improvement of its manufacturing and quality and price competitiveness. The Company will enhance this system and expand its application throughout its supply chains to realize major cost reductions. The Company will also take initiatives to increase productivity throughout all of its business processes.

Moreover, the Company will take initiatives to apply IT to cope effectively with leading overseas competitors. The Company will realign its supply chain management and strengthen customer relationship management to structure IT systems that will support its regional strategies. Also, through realignments, including concentrating and strengthening governance within IT organization, the Company will drive business reformations.

4. Risk Factors

The Company considers that the following risks may adversely affect the Company’s results of operations and financial condition. Forward-looking statements contained in this section are made based on the assumptions as of the current fiscal year-end.

(1) Declines in economic conditions in the Company’s major markets, including private-sector capital expenditures, construction investment, and domestic public investment, may adversely impact the results of operations of the Company.

Industrial and capital goods make up a substantial portion of the Company’s products. Accordingly, the Company may see reduced demand resulting from declines in general economic conditions, including private-sector capital expenditures, construction investment, and domestic public investment. In addition, the agricultural policies by the national government may adversely affect domestic sales of agriculture-related products. In the overseas markets, especially those of North America and Europe, sales of the Company’s products, such as utility/compact tractors, may decrease due to declines in general economic conditions, including private consumption and residential construction investment in those regions.

(2) Fluctuations in foreign currency exchange rates, in particular a stronger yen, may adversely affect the Company’s results of operations and financial condition.

The Company has overseas revenues and foreign subsidiaries which significantly contribute to the Company’s results of operations and impact the Company’s financial condition. Since the transactions between Kubota Corporation and foreign subsidiaries or customers are generally denominated in the local currencies and also the foreign subsidiaries’ results of operations which are prepared in the local currencies are consolidated into the Company’s consolidated results

of operations after translation into Japanese yen, fluctuations in foreign currency exchange rates, in particular a stronger yen against other currencies, may adversely affect the Company's results of operations and financial condition. In order to minimize adverse effects from fluctuations in foreign currency exchange rates, the Company has been transferring its production bases to those countries and regions where its products are actually sold. Also, the Company enters into foreign exchange forward contracts, cross-currency swap contracts, and cross-currency interest rate swap contracts to mitigate its exposure to these risks. Despite the Company's efforts, fluctuations in foreign currency exchange rates may adversely affect the Company's consolidated results of operations and financial condition.

(3) If the prices of raw materials increase or the Company has difficulties in procuring adequate supplies of them, there may be a material adverse effect on the Company's results of operations.

The Company purchases substantial raw materials and parts from outside suppliers. If the prices of raw materials substantially increase due to the supply and demand gap and changes in the market conditions and stay at high levels for a long time, they may impair the Company's profitability. Also, if the Company has difficulties in procuring adequate supplies of raw materials and parts, there may be a material adverse effect on the Company's results of operations due to difficulties in production and sales activities.

(4) The risks associated with international operations may adversely affect the Company's results of operations.

In some businesses of the Company, substantial overseas operations are conducted. Accordingly, the Company is subject to a number of risks inherent in conducting business in those markets. Such risks may cause the Company to face difficulties in stable production and sales of products in the overseas markets that may affect the Company's results of operations or which may hinder growth of the Company in specific countries. The following risks are serious concerns for the Company:

- 1) Unexpected changes in international or an individual country's tax regulations;
- 2) Unexpected legal or regulatory changes in a country;
- 3) Unexpected results of transfer pricing issues or negotiation for an advanced pricing agreement;
- 4) Unexpected changes in government policies for approvals and licenses or subsidy program in certain significant markets;
- 5) Unexpected changes in import and export duties and quotas over the international trade decided by the negotiation among governments;
- 6) Difficulties in retaining qualified personnel;
- 7) Under qualified technological skills or instability between management and employee unions in developing countries; and
- 8) Political instability in those countries.

(5) If strategic alliances, mergers, and acquisitions do not generate successful results as planned, then the Company's profitability may deteriorate.

The Company expects to use strategic alliances, mergers, and acquisitions to seek further growth. The success of these activities depends on factors such as the Company's business environment, the abilities of its business counterparts, and whether the Company and its counterparts share common goals. Therefore, if these activities are not successful and returns on related investments are lower than expected, the Company's profitability may deteriorate.

(6) Stock market fluctuations may have a material adverse effect on the Company's results of operations and financial condition.

Stock market declines may cause impairment losses on the Company's investments in marketable securities or cause an increase in actuarial loss of the Company's retirement and pension plans as a result of a decline in the fair value of pension plan assets, which may have a material adverse effect on the Company's results of operations and financial condition.

(7) The Company is subject to intensifying competitive pressures. Unless the Company performs better than other companies in each of its businesses, the Company's results of operations may decrease in the future.

The Company is exposed to severe competition in each of its businesses. Unless the Company performs better than other companies in areas such as terms of trade conditions, R&D, and quality of goods or services, the Company's results of operations may decrease in the future.

(8) If the Company's products and services are alleged to have serious defects, such allegations may have a material adverse effect on the Company's results of operations and financial condition.

If the Company's products and services are alleged to have serious defects, the Company may be liable for significant damages, and there may be a material adverse effect on the Company's results of operations and financial condition. If such claims are asserted, the Company's reputation and brand value may be damaged, which may cause a decline in demand for its products and result in decreased revenues.

(9) The Company may be required to incur considerable expenses in order to comply with various environmental laws and regulations. Such expenses may have a material adverse effect on the Company's results of operations and financial condition.

The Company is subject to various environmental laws and regulations that apply to its products and activities. If these environmental laws and regulations, such as those that impose carbon dioxide emission controls, other emission controls, and usage restrictions for certain materials which are used in the Company's products, are strengthened or newly established in jurisdictions in which the Company conducts its businesses, the Company may be required to incur considerable expenses in order to comply with such laws and regulations. Such expenses may have a material adverse effect on the Company's results of operations and financial condition. To the extent that the Company determines that it is not economical to continue to comply with such laws and regulations, the Company may have to curtail or discontinue its activities in the affected business areas.

(10) The Company may be required to incur significant expenses in connection with environmental damage that its activities may allegedly cause. Such expenses may have a material adverse effect on the Company's results of operations and financial condition.

Claims may arise that the Company's activities have caused environmental contamination, including the emission of hazardous materials, air pollution, water pollution, and/or soil contamination. In such an event, the Company may elect or be required to implement costly corrective actions to resolve any issues associated with the emission or presence of such hazardous materials or contamination and may face associated litigation. These factors may have a material adverse effect on the Company's results of operations and financial condition.

(11) If the Company is required to incur significant expenses relevant to asbestos-related issues, then there may be a material adverse effect on the Company's results of operations, financial condition and liquidity.

The Company previously manufactured products containing asbestos from 1954 to 2001. If the Company is required to incur additional expenses, including payments to the individuals concerned or expenses arising from litigation related to the asbestos-related health hazards and such expenses become significant, they may result in a material adverse effect on the Company's results of operations, financial condition and liquidity.

(12) The Company may experience a material effect on its results of operations and financial condition if it faces issues related to compliance.

The Company has declared its intention to conduct its corporate activities in compliance with legal regulations and ethical principles, and to make efforts to ensure that all management and staff of the group companies comply with various legal regulations, ethical standards, and internal regulations. However, in the event that compliance issues arise, there is a possibility that the Company may be subject to disciplinary action by government ministries supervising its activities or to lawsuits, or may suffer a loss of public confidence, any of which could have a material adverse effect on the Company's results of operations and financial condition.

(13) If the Company is damaged by natural disasters or other unpredictable events, it may have an adverse effect on the Company's results of operations and financial condition.

The Company conducts business activities in Japan, North America, Europe, Asia and other regions. If natural disasters or

other unpredictable events, such as earthquakes, tsunamis, floods, typhoons, pandemics, wars, terrorist attacks, fires, information system or communication network breakdowns or improper operations occur in countries and regions in which the Company operates, the Company's production, distribution, and sales activities may be disrupted, which could have an adverse effect on the Company's results of operations and financial condition. In particular, Japan is a country with frequent earthquakes, and as a result, the Company has a reasonable probability of suffering from a strong earthquake or tsunami.

(14) Security breaches and other disruptions in the Company's Information Technology (IT) system and networks may have a material adverse effect on the Company's results of operations and financial condition.

The Company faces certain security threats, including threats to the confidentiality, availability and integrity of our data and systems. In order to manage such risks, we implemented our information security system, an integrated set of policies, processes, methodologies, teams and technologies aimed at ensuring appropriate protection of our data. Despite such efforts, if the Company's IT system and networks are disrupted or experience a security breach, the Company may suffer from an opportunity loss due to production downtime or may be subject to litigation or threat of litigation for information leakage, which in turn may cause a material adverse effect on the Company's results of operations and financial condition. If such security breaches and other disruptions occur, the Company's reputation and brand value may be damaged, which may cause a decline in demand for its products and result in decreased revenues.

5. Material Contracts

(1) As Licensee

The details of contracts for which the Company is a licensee are as follows:

Licensee	Licensor	Country	Contract description	Contract period
Kubota Environmental Services Co., Ltd.	Steinmuller Babcock Environment GmbH	Germany	Technology introduction regarding boiler for waste incineration plant	From: Oct. 22, 1998 To: Oct. 21, 2017 (automatic extension clause)
Kubota Corporation	NOVA Chemicals Corporation	Canada	Technology introduction regarding film-forming technology based on surface modification of the casting tube	From: Mar. 20, 2002 To: Dec. 31, 2017 (automatic extension clause)

(Note)

The Company principally pays royalties depending on sales amount or sales quantity.

(2) As Licensor

Not applicable

(3) Committed Line of Credit

For the purpose of efficient financing in working capital, a committed line of credit with five financial institutions was available as of December 31, 2016. For further details, please refer to Note 9. SHORT-TERM BORROWINGS AND LONG-TERM DEBT on page F-22.

6. Research and Development (R&D)

The Company's corporate mission is "recognizing food, water, and environment to be a singular theme and linked closely each other, to continue to support the future of the earth and humanity by solving issues through its superior products, technologies and services." Being motivated by this mission, each R&D department takes a strong initiative to make efforts to develop products and technologies directly linked to each business and to develop medium-to-long term R&D which supports its continuous growth.

The total R&D expenses for the year ended December 31, 2016 were ¥43.0 billion. The R&D expenses and major achievements of R&D activities by reporting segment were as follows. The R&D expenses in the Other segment and basic research expenses which are difficult to link to a particular reporting segment are collectively reported in Other and Adjustments.

(1) Farm & Industrial Machinery

The R&D department in this segment conducts development of farm equipment, agricultural-related products, engines, construction machinery, and electronic equipped machinery and advanced research related to the aforementioned products. Its major achievements are as follows:

Development of combine harvesters for “Ninaite” farmers, called the “ERH450”

In combine harvester business, combine harvesters called the “ERH450” have been newly developed. The “ERH450” harvesters are specialized for harvesting soybeans, oat, buckwheat (soba), and coarse cereal, which are harvested more and more during the time when the paddy land is not used for harvesting rice.

Major performance features of the “ERH450” harvesters are as follows:

- 1) to meet the Emissions Regulations Tier 3 requirements for special motor vehicles in Japan;
- 2) to harvest high quality crop efficiently and effectively by creating a more space in the threshing part where crops are not rubbed nor pushed around thanks to the Company’s unique bar-type threshing drum in exchange of drum-type’s;
- 3) to improve the harvesters’ operability by concentrating major operating controls in the two main levers: a “multi-one lever” in the front of driver’s seat with a “Monroe Sa-yuu” switch (a switch for automatic level control) and an “Automatic Monroe Reset” switch (a trigger for automatic reset), and a “multi-shift lever” on the left side of driver’s seat with a one-touch sub transmission switch ;
- 4) to improve occupant comfort by relocating an air-conditioner in the rear of the cabin and by being equipped with a back monitor in order for the driver to look behind while being seated; and
- 5) to correspond to KSAS by being equipped with wireless LAN as a standard.

Development of rice transplanters specialized in maintaining straight line

In rice transplanter business, as the first model of rice transplanters with global positioning system (“GPS”) called the “Farm Pilot” series, “RACWEL – EP8D-GS” (8 – row type) has been newly developed, making the Company the first in the industry to offer straight transplanting with utilization of GPS.

Major performance features of the model are as follows:

- 1) for rice transplanting, which requires accuracy and precision, to help low-skilled workers easily conduct rice transplanting in straight and to release skilled workers from the workload stress of steering straight by being equipped with an auto straight-keeping function;
- 2) to be able to operate manually in case of emergency, to sound an alert if it moves closer to dikes, and to prevent from misusing an auto straight-keeping function outside of paddy fields by being equipped with a “ Anshin Support System” (a safety system); and
- 3) to reduce the number of resupplies from dikes and the workload of assistant operators by being equipped with multi-loaded rice seeding plates (8 rails and 8 layers).

Development of domestic use large tractor models

In tractor business, “M7 series” domestic use large upland farming tractors, which had been launched in the U.S. and Europe market in 2015, have been fully introduced in Japan in order for upland and dairy “Ninaite” farmers (designated leading farmers who meet certain criteria by the government) to expand their operations. The “M7 series” consist of three large tractor models: “M7-171” with 170 horsepower, “M7-151” with 150 horsepower, and “M7-131” with 130 horsepower.

Major performance features of the “M7 series” are as follows:

- 1) the engines meet the Emissions Regulations Tier 4 requirements for special motor vehicles in Japan, and generate extra power as high as 20 horsepower level in case of highly-loaded work;
- 2) an expansion of lineup: “type-S” which has simple and standard specification, “type-P” which has advanced and high specification, and “type-H” which has sophisticated function with a continuously variable transmission; and
- 3) “type-GF” which is “type-P” and “type-H” with an automated steering system and farm equipment with GPS called the “Farm Pilot” series, which automatically adjusts front wheel by location received a signal from GPS and vehicle speed.

The R&D expenses in this segment were ¥33.1 billion.

(2) Water & Environment

The R&D department in this segment conducts product development of pipe-related products (ductile iron pipes, plastic pipes, pumps, valves, and other products), environment-related products (environmental control plants and other products), social infrastructure-related products (industrial castings, spiral welded steel pipes, and other products) and advanced research related to the aforementioned products. Its major achievements are as follows:

Development of a low price earthquake resistant ductile iron pipe, called the “NECS”

In the pipe-system business, to meet various demands from customers, such as renewals and earthquake resistance of water pipes, the Company expanded its lineup of earthquake resistant ductile iron pipe “NECS”, which achieved cost reduction and weight-saving.

Major performance features of the “NECS” are as follows:

- 1) realizing easy handling on sites by reducing the thickness of pipelines by 20% compared with the existing models of NS-type D3;
- 2) securing the pull-out resistant performance at 3DkN level, which is as equivalent as the existing models, by adopting welding bead projection at the spigot end; and
- 3) changing the paint for internal coating, in which silica sand was sprayed at a predetermined mixing ratio by powder coating;

“NECS”, which has lowered its price due to the fundamental review of technology development and production process, encourages water utility companies, who have refrained from using earthquake resistant ductile iron pipes due to financial constraints, to adopt it. “NECS” has been receiving favorable reviews from its customers because of its low cost of lifecycle, safety, and security.

Development of large-classed compact wastewater treatment plant (johkasou), called the “KTZ type”

The Company developed a large-classed compact wastewater treatment plant (johkasou), “KTZ type” for housing complexes and accommodation facilities located in areas where sewerage infrastructure is not provided. It is the smallest in size in the industry for large-classed compact johkasou.

Major performance features of the “KTZ type” are as follows:

- 1) downsized its body but improved the function of each unit equipment with maintaining the treatment performance, which enabled reduction of excavated soil and construction material in installation, and reduced the construction cost; and
- 2) developed a filter carrier to remove suspension at the level of SS (suspended soil) less than 10mg/L, in addition to the current model’s function of BOD (biochemical oxygen demand) less than 20mg/L;

The R&D expenses in this segment were ¥ 5.6 billion.

(3) Other and Adjustments

R&D activities in Other and Adjustments focus on the enhancement of optical imaging technology, ICT, and high-precious control technology that are the Company’s fundamental technology. The Company has enhanced the above technologies into other preceding technology applied to products of each business, such as inspection technology to innovate the quality of manufacturing and system, remote monitoring system, and diagnosis technology used for solutions to issues related to food, water, and environment.

The R&D expenses in this segment were ¥4.3 billion.

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

Forward-looking statements contained in this section are made based on the assumptions as of the current fiscal year-end.

(1) Results of Operations

See “(1) Analyses of Results of Operations” of “1. Summary of Business Results” of “2. Business Overview.”

(2) Liquidity and Capital Resources

1) Finance and Liquidity Management

The Company’s financial policy is to ensure adequate financing and liquidity for its operations and to maintain the strength of its balance sheets.

Through efficient management of working capital, the Company intends to optimize the efficiency of capital utilization throughout its business operations. The Company endeavors to improve its group cash management by centralizing cash management among Kubota Corporation and its overseas financing subsidiaries.

The Company’s internal sources of funds include cash flows generated by operating activities and cash and cash equivalents. In addition, the Company raises funds by borrowings from financial institutions, financing by securitization of receivables, and the issuance of bonds and commercial paper (CP) in capital markets, if necessary. The Company’s policy is to finance capital expenditures primarily by internally generated funds and, to a lesser extent, by funds raised through borrowings from financial institutions, etc. The Company has established committed lines of credit totaling ¥20.0 billion with certain Japanese banks. However, the Company currently does not use these lines.

There are restrictive covenants related to the borrowings including negative pledges, a rating trigger and minimum net worth. The rating trigger states that the Company shall keep or be higher than the “BBB-” rating by Rating and Investment Information, Inc. and the minimum net worth covenant states that the Company shall maintain total equity of more than ¥825.6 billion on the consolidated financial statements and more than ¥391.1 billion on the separate financial statements of Kubota Corporation. The Company is in compliance with these restrictive covenants as of December 31, 2016.

All things considered, the Company believes that it can support its current and anticipated capital and operating requirements for the foreseeable future.

2) Assets, Liabilities, and Equity

Assets

Total assets at December 31, 2016 amounted to ¥2,640.6 billion, an increase of ¥137.7 billion from the prior fiscal year-end.

As for assets, notes and accounts receivable, property, plant, and equipment, and intangible assets increased, mainly due to the acquisition of businesses. Furthermore, short and long-term finance receivables increased due to the effect of expansion in overseas sales financing operations.

Liabilities

As for liabilities, the aggregate amount of interest-bearing debt, which is composed of short-term borrowings, current portion of long-term debt, long-term debt, increased along with the expansion in overseas sales financing operations.

Equity

Equity increased as the accumulation of retained earnings exceeded the deterioration in accumulated other comprehensive income due to fluctuations in exchange rates. The shareholders’ equity ratio was 44.9%, 0.1 percent lower than the ratio at the prior fiscal year-end.

(3) Cash Flows

See “(2) Analyses of Cash Flows” of “1. Summary of Business Results” of “2. Business Overview.”

3. Property, Plant, and Equipment

1. Summary of Capital Investment

The Company mainly makes capital investments in order to meet increasing demand, promote rationalization for enhancement of competitiveness in its markets, and develop new products for business expansion in the future. Also, the Company makes investments related to environment conservation and safety sanitation.

The capital investment for the year ended December 31, 2016 was ¥65,407 million, which was comprised of the following:

	For the year ended December 31, 2016 (¥ in millions)	For the nine months ended December 31, 2015 (¥ in millions)	Change from the prior year (%)
Farm & Industrial Machinery	¥ 54,637	¥ 28,534	—
Water & Environment	7,834	5,822	—
Other	788	273	—
Corporate	2,148	667	—
Total	¥ 65,407	¥ 35,296	—

(Note)

1. The amounts do not include consumption taxes.
2. Due to the change in the fiscal year-end, the 126th business term was the nine-month period, and changes from the prior year are not stated in the above table.

The details of major investments are as follows:

Farm & Industrial Machinery

In Japan, the Company invested in manufacturing facilities for farm equipment. In the U.S., the Company invested in the construction of new facilities to increase production of utility vehicles and the new office buildings to relocate new head office buildings of the sales company.

Water & Environment

The Company invested in facilities to renew obsolete equipment.

Corporate

The Company invested in information systems.

For the year ended December 31, 2016, there was no sale, removal, or damage of property, plant, and equipment that resulted in a significant adverse impact on productive capacity.

Also, loss on sales and disposals for routine upgrades were ¥1,320 million, ¥923 million, and ¥844 million for the year ended December 31, 2016, the nine months ended December 31, 2015, and the year ended March 31, 2015, respectively.

2. Major Property, Plant, and Equipment

The Company's major property, plant, and equipment at December 31, 2016 were as follows:

The amounts in each table do not include consumption taxes. Also, the "Machinery and equipment and others" column includes "machinery and equipment," "tools, furniture, and fixtures," and "motor vehicles and transport equipment."

(1) Kubota Corporation

(As of December 31, 2016)

Facility (Main location)	Reporting segment	Details of production item or business contents	Book value (¥ in millions)						Number of employees
			Buildings and structures	Machinery and equipment and others	Land		Construction in progress	Total	
					Area (㎡ in thousands)	Amount			
Hanshin Plant (Amagasaki-shi, Hyogo, JAPAN)	Water & Environment	Ductile iron pipes, mill rolls	2,436	6,474	(9) 365	2,254	480	11,643	826
Keiyo Plant (Funabashi-shi, Chiba, JAPAN etc.)	Water & Environment	Ductile iron pipes, spiral welded steel pipes	2,888	3,650	(9) 506	12,117	811	19,466	553
Okajima Business Center (Taisho-ku, Osaka, JAPAN)	Farm & Industrial Machinery, Water & Environment	Casting parts, drainage pipes	1,049	1,243	78	42	233	2,568	305
Sakai Plant (Sakai-shi, Osaka, JAPAN)	Farm & Industrial Machinery	Farm equipment, engines, construction machinery	14,097	14,096	(15) 597	7,811	1,792	37,797	3,454
Utsunomiya Plant (Utsunomiya-shi, Tochigi, JAPAN)	Farm & Industrial Machinery	Farm equipment	1,182	1,527	146	188	81	2,978	450
Tsukuba Plant (Tsukubamirai-shi, Ibaraki, JAPAN)	Farm & Industrial Machinery	Farm equipment, engines	5,292	7,184	(31) 342	1,151	195	13,822	1,693
Hirakata Plant (Hirakata-shi, Osaka, JAPAN)	Farm & Industrial Machinery, Water & Environment	Construction machinery, pumps, valves, steel castings	3,881	4,476	306	672	545	9,574	1,372
Shiga Plant (Konan-shi, Shiga, JAPAN)	Water & Environment	Wastewater treatment plant (Johkasou)	405	126	178	1,032	2	1,565	58
Kyuhoji Business Center (Yao-shi, Osaka, JAPAN)	Farm & Industrial Machinery	Precision equipment	571	257	38	661	8	1,497	230
Ryugasaki Plant (Ryugasaki-shi, Ibaraki, JAPAN)	Farm & Industrial Machinery	Vending machines	8	87	85	1,980	18	2,093	61
Head Office, Tokyo Head Office, Other regional offices, etc. (Naniwa-ku, Osaka, JAPAN, etc.) (Note 2)	Farm & Industrial Machinery, Water & Environment, Corporate	Administration, sales, R&D, etc.	14,150	1,040	1,686	27,117	25	42,332	2,121

(Notes)

1. Kubota Corporation leases part of its land and buildings, and the related rental expenses for such assets were ¥1.7 billion for the year ended December 31, 2016. The areas of the leased land are stated in parentheses. Also, leased land and buildings are mainly used for storage yards for iron pipes and sales bases.
2. Land is used for factories, distribution and sales bases, recreation facilities, and other purposes.

(2) Domestic subsidiaries

(As of December 31, 2016)

Company name	Facility (Main location)	Reporting segment	Details of production item or business contents	Book value (¥ in millions)						Number of employees
				Buildings and structures	Machinery and equipment and others	Land		Construction in progress	Total	
						Area (m ² in thousands)	Amount			
Kubota ChemiX Co., Ltd.	Head office, regional offices (Naniwa-ku, Osaka, JAPAN, etc.)	Water & Environment	Plastic pipes	220	2,124	(124)	—	710	3,054	619

(Note)

The area of the leased land is stated in parentheses. Leased land and buildings are mainly used for the head office, regional offices, and manufacturing bases.

(3) Overseas subsidiaries

(As of December 31, 2016)

Company name	Facility (Main location)	Reporting segment	Details of production item or business contents	Book value (¥ in millions)						Number of employees
				Buildings and structures	Machinery and equipment and others	Land		Construction in progress	Total	
						Area (m ² in thousands)	Amount			
Kubota Tractor Corporation	Head office, regional offices (California, etc., U.S.A.)	Farm & Industrial Machinery	Administration, sales, etc.	3,239	1,120	916	2,247	304	6,910	654
Kubota Manufacturing of America Corporation	Head Factory (Georgia, U.S.A.)	Farm & Industrial Machinery	Tractors, utility vehicles	3,717	4,772	1,010	1,965	8,078	18,532	1,220
Kubota Industrial Equipment Corporation	Head Factory (Georgia, U.S.A.)	Farm & Industrial Machinery	Implements, Tractors, Small-sized construction machinery	4,412	4,282	356	344	358	9,396	822
SIAM KUBOTA Corporation Co., Ltd.	Head office, Factories (Pathumthani, etc., THAILAND)	Farm & Industrial Machinery	Tractors, combine harvesters, engines	7,490	8,209	518	2,783	805	19,287	2,758

3. Plans for Capital Investment and Disposals of Property, Plant, and Equipment

The Company plans its capital investments considering its forecast for future business demand and cash flows comprehensively.

As of December 31, 2016, the Company plans capital investment of approximately ¥70.0 billion for the 128th business term. The Company intends to fund capital investment mainly through internally generated fund financing and partially through available borrowings from financial institutions.

Major plans for new construction, expansion, renovation, disposition, and sale as of December 31, 2016 were as follows:

New Construction

Company name (Location)	Reporting segment	Description	Estimated amount of expenditures		Schedule	
			Total amount of expenditures	Amount already paid	Commenced	To be completed
Kubota Manufacturing of America Corporation (Georgia, U.S.A.)	Farm & Industrial Machinery	Building of new facilities to increase production of utility vehicles	(millions of US\$) 64	(millions of US\$) 57	Apr. 2015	Dec. 2017
Kubota Agricultural Machinery (SUZHOU) Co., Ltd (Jiangsu, CHINA)	Farm & Industrial Machinery,	Building of new facilities to increase production of tractors and combine harvesters	(millions of RMB) 297	(millions of RMB) 39	Jan. 2016	Dec. 2017
Kubota Corporation Hirakata Plant (Hirakata-shi, Osaka, JAPAN)	Farm & Industrial Machinery, Water & Environment	Building of new general facilities	(millions of JPY) 4,040	(millions of JPY) —	Oct. 2016	Nov. 2018

There are no major plans for expansion, renovation, disposition, or sale.

4. 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) (December 31, 2016)	Number of shares issued as of filing date (shares) (March 24, 2017)	Stock exchange on which Kubota Corporation is listed	Description
Common shares	1,241,119,180	1,241,119,180	Tokyo Stock Exchange, Inc. (the first section)	The number of shares per unit of shares is 100 shares.
Total	1,241,119,180	1,241,119,180	—	—

(Note)

The number of shares per unit of shares was changed from 1,000 shares to 100 shares from January 1, 2016.

(2) Information on Share Acquisition Rights

Not applicable

(3) Information on Moving Strike Convertible Bonds

Not applicable

(4) Information on Shareholder Right Plans

Not applicable

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

Date	Changes in the total number of issued shares (thousands of shares)	Balance of the total number of issued shares (thousands of shares)	Changes in common shares (¥ in millions)	Balance of common shares (¥ in millions)	Changes in capital reserve (¥ in millions)	Balance of capital reserve (¥ in millions)
March 29, 2013 (Note)	(29,500)	1,256,419	¥ —	¥ 84,070	¥ —	¥ 73,057
March 31, 2014 (Note)	(6,200)	1,250,219	¥ —	¥ 84,070	¥ —	¥ 73,057
March 31, 2015 (Note)	(4,000)	1,246,219	¥ —	¥ 84,070	¥ —	¥ 73,057
December 30, 2015 (Note)	(1,300)	1,244,919	¥ —	¥ 84,070	¥ —	¥ 73,057
December 30, 2016 (Note)	(3,800)	1,241,119	¥ —	¥ 84,070	¥ —	¥ 73,057

(Note)

Kubota Corporation retired its treasury stocks.

(6) Shareholders' Composition

(As of December 31, 2016)

Class of shareholders	Status of shares (one unit of shares: 100 shares)								Number of shares less than one unit (shares)
	Government and municipality	Financial institution	Financial instruments business operator	Other institution	Overseas shareholders			Total	
					Corporations	Individuals	Individuals and others		
Number of shareholders	—	154	57	766	759	25	34,360	36,121	—
Share Ownership (units)	—	5,685,888	328,069	496,700	4,907,620	297	989,987	12,408,561	263,080
Ownership percentage of shares (%)	—	45.82	2.65	4.00	39.55	0.00	7.98	100.00	—

(Notes)

- Of 24,920 shares of treasury stock, 249 units are included in the "Individuals and others" column while 20 shares are included in the "Number of shares less than one unit" column.
- The "Other institution" column includes 1,000 shares (10 voting right) registered in the name of Japan Securities Depository Center, Incorporated.
- The number of shares per unit of shares was changed from 1,000 shares to 100 shares as of January 1, 2016.

(7) Major Shareholders

(As of December 31, 2016)

Name	Address	Share ownership (thousands of shares)	Ownership percentage to the total number of issued shares (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	11-3, Hamamatsu-cho 2-chome, Minato-ku Tokyo, JAPAN	109,137	8.79
Nippon Life Insurance Company	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo, JAPAN	62,542	5.03
Meiji Yasuda Life Insurance Company	1-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo, JAPAN	59,929	4.82
Japan Trustee Services Bank, Ltd. (Trust account)	8-11, Harumi 1-chome, Chuo-ku, Tokyo, JAPAN	50,021	4.03
Sumitomo Mitsui Banking Corporation	1-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo, JAPAN	45,006	3.62
Mizuho Bank, Ltd.	5-5, Otemachi 1-chome, Chiyoda-ku, Tokyo, JAPAN	45,006	3.62
GIC PRIVATE LIMITED (Standing proxy: Bank of Tokyo-Mitsubishi UFJ, Ltd.)	168 Robinson Road No.37-01, Capital Tower Singapore 068912 (7-1, Marunouchi 2-chome, chiyoda-ku, Tokyo, JAPAN)	21,289	1.71
Moxley & Co. LLC (Standing proxy: Sumitomo Mitsui Banking Corporation)	270 Park Avenue New York N.Y. 10017-2070 U.S.A. (3-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo, JAPAN)	19,001	1.53
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo, JAPAN	18,156	1.46
Japan Trustee Services Bank, Ltd. (Mitsui Sumitomo Trust and Banking Co., Ltd. Retirement benefit trust account)	8-11, Harumi 1-chome, Chuo-ku, Tokyo, JAPAN	17,872	1.43
Total	—	447,972	36.09

(Notes)

- Numbers less than presentation units are rounded down in the columns of "Share ownership" and "Ownership percentage to the total number of issued shares."
- The shares held by The Master Trust Bank of Japan, Ltd. (Trust account), Japan Trustee Services Bank, Ltd. (Trust account), and Japan Trustee Services Bank, Ltd. (Mitsui Sumitomo Trust and Banking Co., Ltd. Retirement benefit trust account) are invested as their fiduciary services.

3. Change reports pertaining to large shareholding reports by Nippon Life Insurance Company dated November 9, 2015 are available for public inspection. However, the information in the reports is not stated in the above table since Kubota Corporation has not confirmed the actual status of shareholdings as of December 31, 2016, except that of Nippon Life Insurance Company. A summary of the reports as of October 30, 2015 is as follows:

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

4. Large shareholding reports by BlackRock Japan Co., Ltd. dated November 19, 2015 are available for public inspection. However, the information in the reports is not stated in the above table since Kubota Corporation has not confirmed the actual status of shareholdings as of December 31, 2016. A summary of the reports as of November 13, 2015 is as follows:

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

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

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

6. Change reports pertaining to large shareholding reports by Mizuho Bank, Ltd. dated October 21, 2016. However, the information in the reports is not stated in the above table since Kubota Corporation has not confirmed the actual status of shareholdings as of December 31, 2016, except that of Mizuho Bank, Ltd. A summary of the reports as of October 14, 2016 is as follows:

Name	Share ownership (thousands of shares)	Ownership percentage to the total number of issued shares (%)
Mizuho Bank, Ltd.	45,006	3.61
Asset Management One Co., Ltd.	42,161	3.38
Total	87,167	7.00

7. Change reports pertaining to large shareholding reports by The Bank of Tokyo-Mitsubishi UFJ, Ltd. dated December 19, 2016 are available for public inspection. However, the information in the reports is not stated in the above table since Kubota Corporation has not confirmed the actual status of shareholdings as of December 31, 2016, except that of The Bank of Tokyo-Mitsubishi UFJ, Ltd. A summary of the reports as of December 12, 2016 is as follows:

Name	Share ownership (thousands of shares)	Ownership percentage to the total number of issued shares (%)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	18,156	1.45
Mitsubishi UFJ Trust and Banking Corporation	80,990	6.50
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	6,220	0.49
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	1,934	0.15
Total	107,302	8.61

(8) Information on Voting Rights

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	1,240,015	—
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		—	1,240,015	—

(Note)

- The “Shares with full voting rights (others)” column includes 1,000 shares (10 voting right) registered in the name of Japan Securities Depository Center, Incorporated.
- The number of shares per unit of shares was changed from 1,000 shares to 100 shares as of January 1, 2016.

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
Hokurikukinki Kubota Corporation	956-1, Shimokashiwanomachi, Hakusan-shi, Ishikawa, JAPAN	9,000	—	9,000	0.00
Chugoku Kubota Corporation	275, Shijikai, Higashi-ku, Okayama-shi, Okayama, JAPAN	111,300	—	111,300	0.00
Fukuokakyushu Kubota Corporation	11-36, Noma 1-chome, Minami-ku, Fukuoka-shi, Fukuoka, JAPAN	566,000	—	566,000	0.04
Total crossholding stock	—	829,700	—	829,700	0.06
Total	—	854,600	—	854,600	0.06

(9) Details of Stock Option Plans

Not applicable

2. Information on Acquisition of Treasury Stock

Class of Shares: Acquisition of common shares under article 155, item 3 & 7 of the Corporate Law of Japan

(1) Acquisition of Treasury Stock Resolved at the General Meeting of Shareholders

Not applicable

(2) Acquisition of Treasury Stock Resolved at the Meetings of the Board of Directors

Acquisition of common shares under Article 155, Item 3 of the Corporate Law of Japan

Classification	Number of shares (shares)	Total amount (¥)
Details on resolution at the Meeting of the Board of Directors held on May 10, 2016 (Term of validity: from May 11, 2016 to May 10, 2017)	8,000,000	¥ 10,000,000,000
Treasury stock acquired before the year ended December 31, 2016	—	—
Treasury stock acquired for the year ended December 31, 2016	3,798,200	6,002,438,950
Treasury stock not acquired for the year ended December 31, 2016	4,201,800	3,997,561,050
The percentage of remaining treasury stock not acquired as of December 31, 2016 (%)	52.5	40.0
Treasury stock acquired during the current period	1,755,700	3,194,310,250
The percentage of remaining treasury stock not acquired as of filing date (%)	30.6	8.0

(3) Details of Acquisition of Treasury Stock Not Based on the Resolutions of the General Meeting of Shareholders or the Meetings of the Board of Directors

Acquisition of common stock under Article 155, Item 7 of the Corporate Law of Japan

Classification	Number of shares (shares)	Total amount (¥)
Treasury stock acquired for the year ended December 31, 2016	1,927	¥ 2,991,925
Treasury stock acquired during the current period	271	¥ 478,081

(Note)

Treasury stock acquired during the current period does not include shares consisting of less than one unit purchased during the period from March 1, 2017 to the filing date of this report.

(4) Status of the Disposition and Holding of Acquired Treasury Stock

Classification	Year ended December 31, 2016		Current period	
	Number of shares (shares)	Total disposition amount (¥)	Number of shares (shares)	Total disposition amount (¥)
Acquired treasury stock for which subscribers were solicited	—	¥ —	—	¥ —
Acquired treasury stock which was retired	3,800,000	6,011,846,160	—	—
Acquired treasury stock for which transfer of shares was conducted due to merger, share exchange or company separation	—	—	—	—
Others (sold shares consisting of less than one unit)	71	129,656	—	—
Total number of treasury stock held	24,920	¥ —	1,780,891	¥ —

(Note)

The number of shares and total disposition amount during the current period does not include shares consisting of less than one unit purchased or sold during the period from March 1, 2017 to the filing date of this report.

3. Dividend Policy

Kubota Corporation's basic policy for the return of profit to shareholders is to maintain stable dividends and raise dividends. Kubota Corporation decides how to allocate its retained earnings in consideration of maintaining sound business operations and accommodating the future business environment.

Based on the above policy, ¥14 per share was resolved for an interim dividend and ¥16 per share was resolved for a year-end dividend for the current fiscal year, resulting in the total amount of annual dividend of ¥30 per share.

In accordance with its basic policy, Kubota Corporation pays dividends twice a year, an interim and a year-end, with appropriation from retained earnings. Dividends are resolved at the Meetings of the Board of Directors.

Kubota Corporation stipulates in its Article of Incorporation the possibility of resolution of interim dividends, which is defined under Article 454, Paragraph 5 of the Corporate Law of Japan. For further details, please refer to "5. Stock-Related Administration of Kubota Corporation".

Dividends with record dates falling in the current fiscal year are as follows:

Date of resolution	Cash dividends (¥ in millions)	Cash dividends per share (¥)
The Meeting of the Board of Directors on August 3, 2016	¥ 17,411	¥ 14.00
The Meeting of the Board of Directors on February 14, 2017	¥ 19,857	¥ 16.00

4. Share Prices

(1) Highest and Lowest Share Prices in Each of the Recent Five Fiscal Years

Fiscal year	123 rd business term	124 th business term	125 th business term	126 th business term	127 th business term
Year end	March 2013	March 2014	March 2015	December 2015	December 2016
Highest (¥)	¥ 1,390	¥ 1,852	¥ 2,019.5	¥ 2,193.5	¥ 1,895.0
Lowest (¥)	¥ 630	¥ 1,202	¥ 1,276.0	¥ 1,581.0	¥ 1,270.0

(Note)

1. The share prices are market prices on the first section of the Tokyo Stock Exchange (the "TSE").
2. The 126th business term was the nine-month period that commenced on April 1, 2015 and ended December 31, 2015.

(2) Highest and Lowest Share Prices in Each of the Recent Six Months

Month	July 2016	August 2016	September 2016	October 2016	November 2016	December 2016
Highest (¥)	¥ 1,558.0	¥ 1,524.5	¥ 1,585.0	¥ 1,703.0	¥ 1,779.5	¥ 1,805.0
Lowest (¥)	¥ 1,271.0	¥ 1,355.0	¥ 1,420.0	¥ 1,494.0	¥ 1,484.0	¥ 1,635.5

(Note)

The share prices are market prices on the first section of the TSE.

5. Directors and Senior Management

Male: 13, Female: 0 (percentage of females among Directors and Audit & Supervisory Board Members: 0%)

Position	Responsibility	Name	Date of birth		Business experience	Term of office	Share ownership (shares)
President and Representative Director of Kubota Corporation		Masatoshi Kimata	Jun. 22, 1951	Apr. 1977	Joined Kubota Corporation	Note 3	58,800
				Oct. 2001	General Manager of Tsukuba Plant		
				Jun. 2005	Director of Kubota Corporation		
				Apr. 2007	Deputy General Manager of Sales Headquarters in Farm & Industrial Machinery Consolidated Division		
				Apr. 2008	Managing Director of Kubota Corporation		
				Apr. 2009	Director and Managing Executive Officer of Kubota Corporation, Deputy General Manager of Farm & Industrial Machinery Consolidated Division, General Manager of Sales Headquarters in Farm & Industrial Machinery Consolidated Division		
				Jun. 2009	Managing Executive Officer of Kubota Corporation		
				Jul. 2010	Senior Managing Executive Officer of Kubota Corporation		
				Aug. 2010	President of SIAM KUBOTA Corporation Co., Ltd.		
				Apr. 2012	In charge of Water & Environment Domain, General Manager of Tokyo Head Office		
				Jun. 2012	Director and Senior Managing Executive Officer of Kubota Corporation		
				Aug. 2012	Administrative Officer- Corporate Staff, General Manager of Water Engineering & Solution Division		
				Apr. 2013	General Manager of Procurement Headquarters		
Apr. 2014	Representative Director and Executive Vice President of Kubota Corporation						
Jul. 2014	President and Representative Director of Kubota Corporation (to present)						

Position	Responsibility	Name	Date of birth		Business experience	Term of office	Share ownership (shares)
Representative Director and Executive Vice President of Kubota Corporation	General Manager of Water and Environmental Infrastructure Domain, General Manager of CSR Planning & Coordination Headquarters, General Manager of Human Resources and General Affairs Headquarters, General Manager of Head Office	Toshihiro Kubo	Apr. 5, 1953	Apr. 1979	Joined Kubota Corporation	Note 3	33,500
				Oct. 2005	General Manager of Planning Dept. in Ductile Iron Pipe Division		
				Jun. 2007	Director of Kubota Corporation, General Manager of Coordination Dept. in Water, Environment & Infrastructure Consolidated Division, General Manager of Production Control Headquarters in Water, Environment & Infrastructure Consolidated Division		
				Apr. 2009	Director and Executive Officer of Kubota Corporation, Deputy General Manager of Water & Environment Systems Consolidated Division, General Manager of Water & Environment Systems, Social Infrastructure Business Promotion Headquarters, General Manager of Water & Environment Systems, Social Infrastructure Production Control Dept.		
				Jun. 2009	Executive Officer of Kubota Corporation		
				Apr. 2010	General Manager of Head Office (to present), In charge of Personnel Dept., Secretary & Public Relations Dept., General Affairs Dept., and Tokyo Administration Dept.		
				Jun. 2010	In charge of Secretary Dept. and Corporate Communications Dept.		
				Apr. 2011	Managing Executive Officer of Kubota Corporation		
				Jun. 2011	Director and Managing Executive Officer of Kubota Corporation		
				Apr. 2012	General Manager of Human Resources and General Affairs Headquarters (to present)		
				Apr. 2013	Director and Senior Managing Executive Officer of Kubota Corporation		
				Jul. 2014	Representative Director and Executive Vice President of Kubota Corporation (to present)		
				Oct. 2014	General Manager of CSR Planning & Coordination Headquarters (to present)		
				Jan. 2016	General Manager of Water & Environment Domain		
				Jan. 2017	General Manager of Water and Environmental Infrastructure Domain (to present)		

Position	Responsibility	Name	Date of birth		Business experience	Term of office	Share ownership (shares)
Director and Senior Managing Executive Officer of Kubota Corporation	General Manager of Planning & Control Headquarters, General Manager of Global IT Management Department	Shigeru Kimura	Sep. 10, 1953	Apr. 1977	Joined Kubota Corporation	Note 3	27,700
				Dec. 2002	General Manager of Finance & Accounting Dept.		
				Jun. 2008	Director of Kubota Corporation		
				Apr. 2009	Director and Executive Officer of Kubota Corporation, In charge of Corporate Planning & Control Dept. (assistant)		
				Jun. 2009	Executive Officer of Kubota Corporation		
				Oct. 2010	General Manager of Planning & Control Headquarters (to present)		
				Apr. 2011	Managing Executive Officer of Kubota Corporation		
				Jun. 2012	Director and Managing Executive Officer of Kubota Corporation		
				Oct. 2013	General Manager of Corporate Planning & Control Dept.		
				Apr. 2014	Director and Senior Managing Executive Officer of Kubota Corporation (to present)		
Apr. 2016	General Manager of Global IT Management Department (to present)						
Director and Senior Managing Executive Officer of Kubota Corporation	General Manager of Manufacturing Engineering Headquarters	Kenshiro Ogawa	Jul. 23, 1953	Apr. 1979	Joined Kubota Corporation	Note 3	44,000
				Apr. 2007	General Manager of Tsukuba Plant, General Manager of Production Engineering Center of Emission		
				Jun. 2007	Director of Kubota Corporation		
				Apr. 2009	Director and Executive Officer of Kubota Corporation		
				Jun. 2009	Executive Officer of Kubota Corporation		
				Apr. 2010	General Manager of Sakai Plant		
				Apr. 2011	Managing Executive Officer of Kubota Corporation, General Manager of Construction Machinery Division, General Manager of Construction Machinery Planning and Coordinate Dept.		
				Apr. 2012	General Manager of Quality Assurance & Manufacturing Headquarters		
				Jan. 2013	General Manager of Health & Safety Promotion Headquarters		
				Apr. 2014	Senior Managing Executive Officer of Kubota Corporation		
Jun. 2014	Director and Senior Managing Executive Officer of Kubota Corporation (to present)						
Jul. 2014	General Manager of Procurement Headquarters						
Apr. 2015	General Manager of Manufacturing Engineering Headquarters (to present)						

Position	Responsibility	Name	Date of birth		Business experience	Term of office	Share ownership (shares)
Director and Senior Managing Executive Officer of Kubota Corporation	General Manager of Farm & Industrial Machinery Domain, General Manager of Farm & Utility Machinery Division	Yuichi Kitao	Jul. 15, 1956	Apr. 1979	Joined Kubota Corporation	Note 3	43,500
				Apr. 2005	General Manager of Tractor Engineering Dept.		
				Apr. 2009	Executive Officer of Kubota Corporation General Manager of Tractor Division		
				Jan. 2011	President of Kubota Tractor Corporation		
				Apr. 2013	Managing Executive Officer of Kubota Corporation		
				Oct. 2013	General Manager of Farm & Utility Machinery Division (to present), General Manager of Farm & Utility Machinery International Operations Headquarters		
				Jun. 2014	Director and Managing Executive Officer of Kubota Corporation		
				Apr. 2015	Director and Senior Managing Executive Officer of Kubota Corporation (to present), General Manager of Farm & Industrial Machinery Domain (to present)		
Director and Senior Managing Executive Officer of Kubota Corporation	General Manager of Research & Development Headquarters	Satoshi Iida	Mar. 5, 1953	Apr. 1980	Joined Kubota Corporation	Note 3	29,900
				Apr. 2004	President of Kubota Europe S.A.S.		
				Jun. 2008	Director of Kubota Corporation		
				Apr. 2009	Director and Executive Officer of Kubota Corporation, President of Kubota Tractor Corporation		
				Jun. 2009	Executive Officer of Kubota Corporation		
				Jan. 2011	General Manager of Farm & Industrial Machinery International Operations Headquarters		
				Apr. 2011	Managing Executive Officer of Kubota Corporation		
				Apr. 2012	General Manager of Farm & Utility Machinery Division, General Manager of Farm & Utility Machinery International Operations		
				Oct. 2013	Deputy General Manager of Research & Development Headquarters		
				Apr. 2014	General Manager of Research & Development Headquarters (to present), General Manager of Water & Environment R&D		
				Apr. 2015	Senior Managing Executive Officer of Kubota Corporation		
				Mar. 2016	Director and Senior Managing Executive Officer of Kubota Corporation (to present)		

Position	Responsibility	Name	Date of birth		Business experience	Term of office	Share ownership (shares)
Director and Managing Executive Officer of Kubota Corporation	President of Kubota Tractor Corporation	Masato Yoshikawa	Jan. 27, 1959	Apr. 1981	Joined Kubota Corporation	Note 3	13,100
				Oct. 2010	General Manager of Corporate Planning & Control Dept.		
				Apr. 2012	Executive Officer of Kubota Corporation		
				Oct. 2013	President of Kubota Tractor Corporation (to present)		
				Apr. 2015	Managing Executive Officer of Kubota Corporation		
				Mar. 2017	Director and Managing Executive Officer of Kubota Corporation (to present)		
Director of Kubota Corporation		Yuzuru Matsuda	Jun. 25, 1948	Apr. 1977	Joined Kyowa Hakko Kogyo Co., Ltd. (currently, Kyowa Hakko Kirin Co., Ltd.)	Note 3	4,500
				Jun. 1999	Director of Drug Discovery Research Laboratories, Pharmaceutical Research Institute of Kyowa Hakko Kogyo Co., Ltd.		
				Jun. 2000	Executive Officer of Kyowa Hakko Kogyo Co., Ltd. , Executive Director of Pharmaceutical Research Institute of Kyowa Hakko Kogyo Co., Ltd.		
				Jun. 2002	Executive Director of Kyowa Hakko Kogyo Co., Ltd., Director of Corporate Planning Department of Kyowa Hakko Kogyo Co., Ltd.		
				Jun. 2003	President and Chief Operating Officer of Kyowa Hakko Kogyo Co., Ltd.		
				Oct. 2008	President and Chief Executive Officer of Kyowa Hakko Kirin Co., Ltd.		
				Mar. 2012	Senior Advisor of Kyowa Hakko Kirin Co., Ltd.		
				Jun. 2012	President of Kato Memorial Bioscience Foundation (to present)		
				Jun. 2014	Director of Kubota Corporation (to present), Director of BANDAI NAMCO Holdings, Inc. (to present)		
Jun. 2015	Director of JSR Corporation (to present)						

Position	Responsibility	Name	Date of birth		Business experience	Term of office	Share ownership (shares)
Director of Kubota Corporation		Koichi Ina	May 6, 1948	Apr. 1973	Joined Toyota Motor Corporation	Note 3	7,100
				Jun. 2002	Board of Director of Toyota Motor Corporation, Plant Manager, Honsha Plant, Plant Manager, Motomachi Plant of Toyota Motor Corporation		
				Jun. 2003	Managing Officer of Toyota Motor Corporation, General Manager of Global Production Center of Toyota Motor Corporation		
				Jun. 2004	Plant Manager, Myochi Plant of Toyota Motor Corporation		
				Jun. 2005	Plant Manager, Takaoka Plant, Plant Manager, Tsutsumi Plant of Toyota Motor Corporation		
				Jun. 2006	Plant Manager, Miyoshi Plant of Toyota Motor Corporation		
				Jun. 2007	Senior Managing Director of Toyota Motor Corporation, Chief Officer, Production Planning Group, Chief Officer, Manufacturing Group of Toyota Motor Corporation		
				Jun. 2009	Adviser of Toyota Motor Corporation, Executive Vice President of Daihatsu Motor Co., Ltd.		
				Jun. 2010	President of Daihatsu Motor Co., Ltd.		
				Jun. 2013	Chairman of Daihatsu Motor Co., Ltd.		
Jun. 2015	Director of Kubota Corporation (to present)						
Jun. 2016	Advisor to the Board of Daihatsu Motor Co., Ltd. (to present)						
Audit & Supervisory Board Member of Kubota Corporation (Full-time)		Toshikazu Fukuyama	Jun. 11, 1955	Apr. 1979	Joined Kubota Corporation	Note 4	9,700
				Oct. 2005	General Manager of Corporate Planning & Control Dept.		
				Oct. 2009	Vice President of The Siam Kubota Industry Co., Ltd. (currently, SIAM KUBOTA Corporation Co., Ltd.), Director of Siam Kubota Leasing Co., Ltd.		
				Aug. 2010	Vice President of SIAM KUBOTA Corporation Co., Ltd.		
				Jun. 2014	Audit & Supervisory Board Member of Kubota Corporation (to present)		

Position	Responsibility	Name	Date of birth		Business experience	Term of office	Share ownership (shares)
Audit & Supervisory Board Member of Kubota Corporation (Full-time)		Satoru Sakamoto	Jul. 18, 1952	Apr. 1976	Joined Kubota Corporation	Note 4	38,600
				Apr. 2006	General Manager of Air Condition Equipment Division, President of Kubota Air Conditioner, Ltd.		
				Jun. 2006	Director of Kubota Corporation		
				Apr. 2009	Director and Managing Executive Officer of Kubota Corporation, In charge of Corporate Planning & Control Dept. and Finance & Accounting Dept.		
				Oct. 2010	In charge of Planning & Control Headquarters		
				Apr. 2011	Director and Senior Managing Executive Officer of Kubota Corporation		
				Jun. 2011	In charge of Global IT Management Office		
				Apr. 2012	In charge of Farm & Industrial Machinery Domain, General Manager of Business Development Headquarters		
				Aug. 2012	In charge of China Operation		
				Apr. 2014	Director of Kubota Corporation		
			Jun. 2014	Audit & Supervisory Board Member of Kubota Corporation (to present)			
Audit & Supervisory Board Member of Kubota Corporation (Part-time)		Akira Morita	Jan. 15, 1949	Apr. 1979	Assistant professor of Law, Faculty of Law, Kobe Gakuin University	Note 5	2,300
				Apr. 1987	Professor of Law, Faculty of Law, Kobe Gakuin University, Professor of Law, Graduate School of Law, Kobe Gakuin University		
				Apr. 1991	Professor of Law, Faculty of Law, Doshisha University, Professor of Law, Graduate School of Law, Doshisha University (to present)		
				Oct. 2003	Attorney at Law of Kyoto Bar Association		
				Apr. 2004	Professor of Law, Doshisha Law School (to present)		
				Mar. 2005	Visiting attorney at law of Miyake & Partners Law Firm (to present), Attorney at law of Osaka Bar Association (to present)		
				Jun. 2015	Audit & Supervisory Board Member of Kubota Corporation (to present)		

Position	Responsibility	Name	Date of birth		Business experience	Term of office	Share ownership (shares)
Audit & Supervisory Board Member of Kubota Corporation (Part-time)		Teruo Suzuki	Oct. 21, 1949	Apr. 1973	Joined Tokyo Branch of Arthur Andersen & Co.	Note 5	—
				Aug. 1978	Registered as a Certified Public Accountant of Japan		
				Apr. 1989	Representative Partner of Eiwa Audit Corporation (currently, KPMG AZSA LLC)		
				Jun. 1993	Representative Partner of Asahi & Co. (currently, KPMG AZSA LLC)		
				Jun. 2003	Board Member of Asahi & Co.		
				Jun. 2004	Board Member of AZSA & Co. (currently, KPMG AZSA LLC)		
				Jun. 2006	Executive Board Member of AZSA & Co.		
				Jun. 2010	Deputy Managing Partner of AZSA & Co.		
				Sep. 2011	Partner of KPMG AZSA LLC		
				Jun. 2012	Audit & Supervisory Board Member of Kao Corporation		
				Jul. 2013	Advisor of Seven-Eleven Japan Co., Ltd. (to present)		
Jun. 2015	Audit & Supervisory Board Member of Kubota Corporation (to present)						
Total						312,700	

(Notes)

- Among the Directors, Yuzuru Matsuda and Koichi Ina are the Outside Directors.
- Among the Audit & Supervisory Board Members, Akira Morita and Teruo Suzuki are the Outside Audit & Supervisory Board Members.
- The terms of office of the Directors will expire at the close of the Ordinary General Meeting of Shareholders for the year ending December 31, 2017 from the election at the Ordinary General Meeting of Shareholders for the year ended December 31, 2016.
- The terms of office of the Audit & Supervisory Board Members will expire at the close of the Ordinary General Meeting of Shareholders for the year ending December 31, 2017 from the election at the Ordinary General Meeting of Shareholders for the year ended March 31, 2014.
- The terms of office of the Audit & Supervisory Board Members will expire at the close of the Ordinary General Meeting of Shareholders for the year ending December 31, 2018 from the election at the Ordinary General Meeting of Shareholders for the year ended March 31, 2015.
- Kubota Corporation adopted the Executive Officer System. The Executive Officers, excluding persons who also hold the post of Director as of the filing date, are as follows:

Title	Name	Responsibility
Senior Managing Executive Officer of Kubota Corporation	Shinji Sasaki	Deputy General Manager of Farm and Industrial Machinery Domain, General Manager of Construction Machinery Division
Managing Executive Officer of Kubota Corporation	Hiroshi Matsuki	General Manager of Water and Environmental Infrastructure Headquarters, General Manager of Tokyo Head Office
Managing Executive Officer of Kubota Corporation	Kunio Suwa	Deputy General Manager of CSR Planning & Coordination Headquarters, General Manager of Legal Department
Managing Executive Officer of Kubota Corporation	Toshihiko Kurosawa	General Manager of Water Engineering & Solution Division
Managing Executive Officer of Kubota Corporation	Hiroshi Kawakami	Deputy General Manager of Manufacturing Engineering Headquarters
Managing Executive Officer of Kubota Corporation	Yoshiyuki Fujita	Deputy General Manager of Planning & Control Headquarters, General Manager of Global Management Promotion Department
Managing Executive Officer of Kubota Corporation	Hironobu Kubota	President of Kubota Manufacturing of America Corporation, President of Kubota Industrial Equipment Corporation
Managing Executive Officer of Kubota Corporation	Kaoru Hamada	Deputy General Manager of Research & Development Headquarters, General Manager of Water and Environment R&D, General Manager of Materials Center

Managing Executive Officer of Kubota Corporation	Yasuo Nakata	General Manager of Quality Assurance Headquarters
Managing Executive Officer of Kubota Corporation	Kazuhiro Kimura	General Manager of Electronic Equipped Machinery Division
Managing Executive Officer of Kubota Corporation	Dai Watanabe	General Manager of Agricultural Implement Division, President of Kverneland AS
Managing Executive Officer of Kubota Corporation	Haruyuki Yoshida	General Manager of Farm & Industrial Machinery Domain, Strategy and Operations Headquarters
Executive Officer of Kubota Corporation	Junji Ogawa	Deputy General Manager of CSR Planning & Coordination Headquarters
Executive Officer of Kubota Corporation	Takao Shomura	General Manager of Procurement Headquarters, General Manager of Sakai Plant, General Manager of Sakai Training Center
Executive Officer of Kubota Corporation	Yuji Tomiyama	General Manager of Tractor Division, General Manager of Agricultural Tractor Business Unit
Executive Officer of Kubota Corporation	Kazunari Shimokawa	President of Kubota Europe S.A.S.
Executive Officer of Kubota Corporation	Mutsuo Uchida	General Manager of Pipe Systems Division, General Manager of Pipe Systems Business Unit
Executive Officer of Kubota Corporation	Nobuyuki Ishii	Deputy General Manager of Farm and Industrial Machinery Domain, Strategy and Operations Headquarters, General Manager of Farm and Industrial Machinery Strategy and Operations Department.
Executive Officer of Kubota Corporation	Kazuhiro Shinabe	Deputy General Manager of Water Engineering & Solution Division, General Manager of Water Engineering & Solution Business Unit
Executive Officer of Kubota Corporation	Ryuichi Minami	General Manager of Harvester and Transplanter Division
Executive Officer of Kubota Corporation	Yoshimitsu Ishibashi	General Manager of Farm Machinery Japan Operation, General Manager of Farm Machinery Services Headquarters, President of Kubota Agri Service Corporation
Executive Officer of Kubota Corporation	Ryoji Kuroda	General Manager of Health Safety Promotion Headquarters
Executive Officer of Kubota Corporation	Yasuhiko Hiyama	General Manager of Compact Tractor, Turf and Utility Vehicle Business Unit
Executive Officer of Kubota Corporation	Eiji Yoshioka	General Manager of Materials Division
Executive Officer of Kubota Corporation	Yasukazu Kamada	General Manager of Engine Division
Executive Officer of Kubota Corporation	Muneji Okamoto	General Manager of Farm and Utility Machinery Engineering Headquarters
Executive Officer of Kubota Corporation	Hiroto Kimura	President of SIAM KUBOTA Corporation Co., Ltd.
Executive Officer of Kubota Corporation	Katsuhiko Yukawa	Deputy General Manager of Construction Machinery Division, General Manager of Construction Machinery Engineering Department for Excavator

7. Kubota Corporation appointed one Substitute Audit & Supervisory Board Member as provided in Article 329, paragraph 3 of the Corporate Law of Japan in preparation for the shortage of the number of Audit & Supervisory Board Members stipulated in the laws and regulations. Business experience of the Substitute Audit & Supervisory Board Member is as follows:

Name	Date of birth	Business experience	Share ownership (shares)
Masao Morishita	Jan. 22, 1949	Apr. 1971 Joined Matsushita Electric Industrial Co., Ltd. (currently, Panasonic Corporation)	—
		Jun. 1994 President and Director of Matsushita Compressor Corporation of America	
		Apr. 1998 General Manager of Accounting Dept. and Business Planning Dept. in Compressor Division of Matsushita Electric Industrial Co., Ltd.	
		Apr. 2003 Director and General Manager of Administrative Headquarter of Matsushita Toshiba Picture Display Co., Ltd. (currently, MT Picture Display Co., Ltd.)	
		Apr. 2006 Director and CFO of MT Picture Display Co., Ltd., In charge of Administration Dept.	
		Jun. 2009 Audit & Supervisory Board Member of Kubota Corporation	

6. Corporate Governance

(1) Corporate Governance

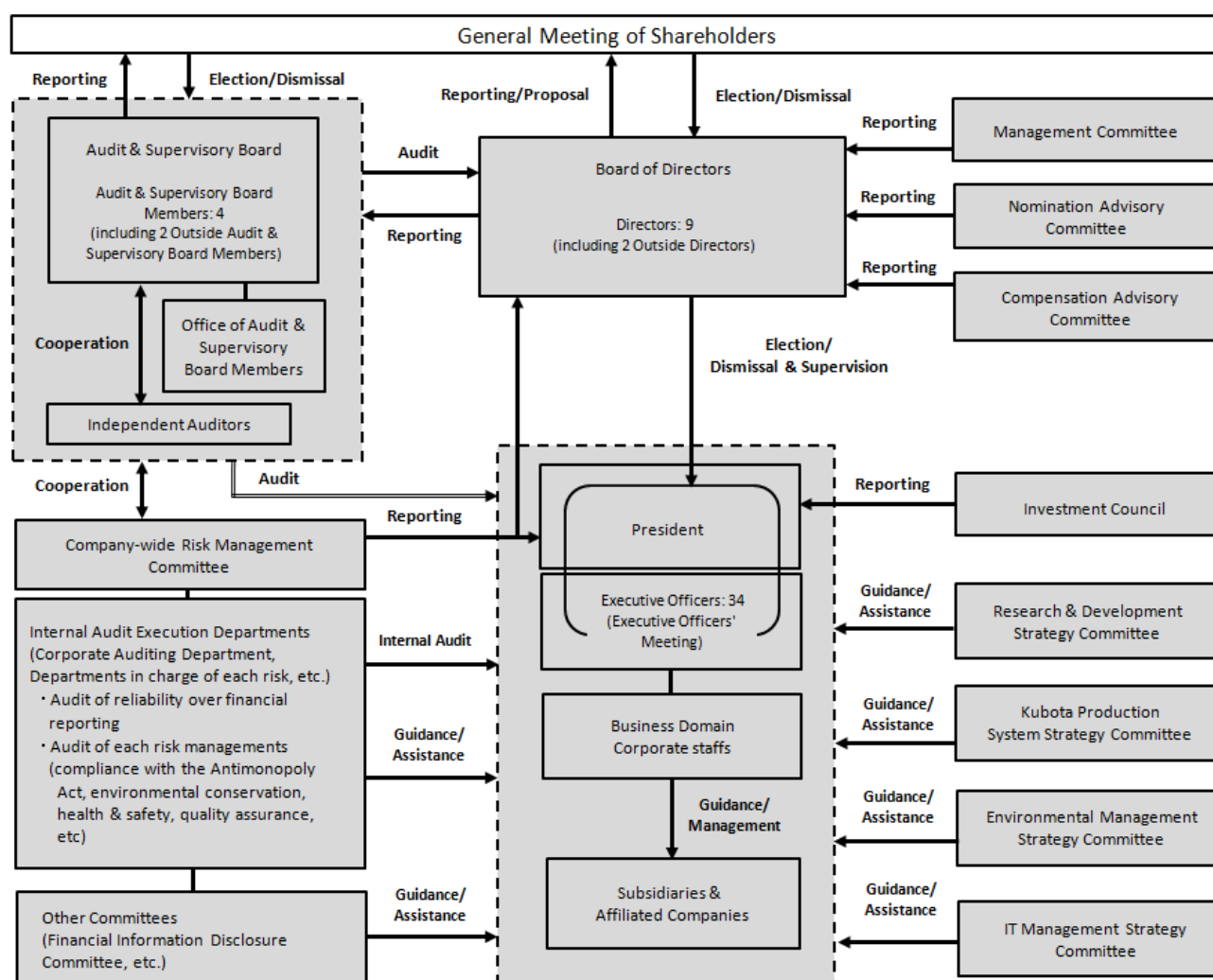
Among various tasks for management, Kubota Corporation puts the highest priority on stable and sustainable enhancement of corporate value. To realize the above, Kubota Corporation considers it critical to enhance its corporate value as a whole by satisfying all surrounding stakeholders and by balancing the following three values: economic value, social value, and environmental value. Being more competitive as a global company, Kubota Corporation places its top priority on the enhancement of the corporate governance in particular and has been endeavoring to work on it.

To increase the confidence and understanding by shareholders, investors, and society, Kubota Corporation will make accurate and timely disclosures of corporate information, such as results of operations on quarterly basis and management policies, and fulfill its responsibilities for transparency and accountability in corporate activities.

1) Corporate Governance Structure

a) Outline of Corporate Governance Structure and Reasons to Adopt this Structure

In order to respond timely to management environment and achieve enhanced transparency in management, Kubota Corporation has adopted the following corporate governance structure (as of March 24, 2017).



The Board of Directors makes strategic decisions and oversees the execution of duties by the Executive Officers. It consists of nine Directors (two of whom are the Outside Directors). In addition to its regular monthly board meetings, it also meets as and when required to discuss and make decisions relating to management planning, financial planning, investment, business restructuring and other important management issues.

The Audit & Supervisory Board oversees and audits the execution of duties by the Directors. It consists of four Audit & Supervisory Board Members (two of whom are the Outside Audit & Supervisory Board Members). In addition to its regular monthly Audit & Supervisory Board Meetings, it also meets as and when required to discuss and make decisions with regard to auditing policy, audit reports, and other matters.

Kubota Corporation adopts the Executive Officer System in order to strengthen on-site business execution at any location and make prompt and appropriate business decisions. The Executive Officers' Meeting consists of the President and Representative Director (the "President") and 34 Executive Officers. In addition to its regular monthly meetings, it also meets as and when required. The President instructs the Executive Officers on policies and decisions made by the Board of Directors. The Executive Officers report to the President regarding the status of their execution of duties.

Kubota Corporation has a Management Committee and Investment Council in place in order to discuss and make decisions in regard to specific and important issues. The Management Committee meets to deliberate on important management matters such as investments, loans, and mid-term management plans before they are discussed by the Board of Directors. The Investment Council gives the President advice on matters to be decided by the President, except those deliberated by the Management Committee, as well as special matters.

In addition, Kubota Corporation has a Nomination Advisory Committee and Compensation Advisory Committee in place, in which more than half of the members are the Outside Directors, to give advice to the Board of Directors. The Nomination Advisory committee and Compensation Advisory Committee meet to deliberate on nomination of candidates for the Directors, and compensation system and compensation level of the Directors over appropriate involvement and advice from the Outside Directors.

Pursuant to Article 427, Paragraph 1 of the Corporate Law of Japan, Kubota Corporation enters into Liability Limitation Agreements with each of the Outside Directors and the Outside Audit & Supervisory Board Members, acting in good faith and without significant negligence, which limit the maximum amount of their liabilities owed to Kubota Corporation arising in connection with their failure to perform their duties to the extent permitted by the Corporate Law of Japan.

b) Status of the Development of Internal Control System

As a basis of the system to ensure that the Directors, the Executive Officers and employees perform their duties in compliance with laws and regulations and its Articles of Incorporation, Kubota Corporation established the Kubota Group Charter for Action & Code of Conduct to be observed by all Directors, Executive Officers, and employees of the Kubota group.

Kubota Corporation has a Company-wide Risk Management Committee in place in order to properly control material risks the Kubota group might face and ensure its appropriate growth and development based on the management principles.

Under the Company-wide Risk Management Committee, a department in charge designated for each risk category of management risks (the "Department in Charge") undertakes activities such as education and training to promote compliance with laws and ethics, and performs internal audits. Kubota Corporation has set up the Kubota Hot Line, a service counter for in-house whistle-blowing and consultations, to discover at an early stage any improper conduct that infringes on laws or other regulations and to prevent such infringements from occurring. The interest and privacy of the informant are fully protected by internal rules and regulations.

Kubota Corporation has a Financial Information Disclosure Committee in place in order to review and assess the adequacy of significant financial reporting, such as Annual Securities Report, etc. and the effectiveness of internal controls over financial reporting.

c) Status of Risk Control Structure and Development of Information Risk Control Structure

Kubota Corporation manages risks related to compliance with laws and regulations, environment, health and safety, disasters, quality, and other risks related to business performance of the entire Kubota group by establishing the Department in Charge or relevant committees which are supervised by the Company-wide Risk Management Committee; and by providing internal rules, regulations, and manuals and other guidelines to address such risks. In order to address the risks that the Kubota group newly faces, the Company-wide Risk Management Committee will assign a Department in Charge which will manage such new risks.

Kubota Corporation properly keeps and controls information on the execution of duties by the Directors and the Executive Officers in accordance with its in-house rules and regulations, such as the regulations on custody of documents. Kubota Corporation also maintains a standard by which such documents are available for examination, as necessary.

d) Status of System to Ensure Appropriateness of Subsidiaries' Business Performance

Kubota Corporation put in place a system to supervise and manage both domestic and overseas subsidiaries and affiliated companies by assigning a department in charge of and requiring them to report operation results and plans in a business reviewing meeting held by senior management of Kubota Corporation.

2) Status of Internal Audit, Audit by Audit & Supervisory Board Members, and Audit by Independent Auditors

Internal audit on the Company's internal control over financial reporting is conducted by the Corporate Auditing Department, which is independent from any other departments of the Company and made up of 17 employees with the necessary expertise. Internal audits on other risks are conducted by the relevant Department in Charge and secondary internal audits are conducted by the independent Corporate Auditing Department in order to ensure the adequacy of preceding internal audits. Internal audits are conducted on site or remotely through documentation reviews, based on audit plans previously approved by the President.

The Audit & Supervisory Board Members attend important meetings such as the Meetings of the Board of Directors and strictly audit the execution of the duties by the Directors, business operation departments, indirect departments, subsidiaries and affiliated companies in accordance with the auditing principles determined in the Audit & Supervisory Board. They also supervise Kubota Corporation's financial reporting system and accounting principles and periodically examine its material documents such as (consolidated) financial statements pursuant to the fourth paragraph of Article 444 of the Corporate Law of Japan. A system is established where the Directors, Executive Officers, and employees of the Kubota group are to report to the Audit & Supervisory Board Members any issues that seem to affect the Company's business operation with no delay. Kubota Corporation establishes the Office of Audit & Supervisory Board Members and assigns four employees to exclusively support the Audit & Supervisory Board Members in performing their duties. Those employees' independence from the Directors is ensured as the employees' appointment and evaluation need a discussion with and consent from the Audit & Supervisory Board Members. Since January 1, 2017, Kubota Corporation has placed two members in the Office of Audit & Supervisory Board Members; the new members engage in the duties of Audit & Supervisory Board Member exclusively for several important domestic subsidiaries in order to provide support for the Kubota Corporation's Audit & Supervisory Board Members and improve internal control over the Kubota group. Also, Kubota Corporation put in place a system where any expenses incurred related to execution of duties by the Audit & Supervisory Board Members are to disburse with no delay. Mr. Teruo Suzuki, an Outside Audit & Supervisory Board Member of Kubota Corporation, is a certified public accountant and has adequate knowledge regarding accounting and finance including U.S. GAAP.

Kubota Corporation appoints Deloitte Touche Tohmatsu LLC ("DTT") as Independent Auditors of Kubota Corporation. The certified public accountants ("CPA(s)") belonging to DTT, Mr. Koichiro Tsukuda, Mr. Takashige Ikeda, and Mr. Akihiro Okada, audit the financial statements of Kubota Corporation. 30 other CPAs, 14 junior accountants, and 28 other staff members assist execution of the audits as instructed by the above three CPAs.

Internal audit departments and Independent Auditors of Kubota Corporation report audit plans and the results of audits to the Audit & Supervisory Board Members periodically, and as needed, to collaborate with each other. Effective cooperation in the auditing activities between the internal audit departments and Independent Auditors of Kubota Corporation is also established, whereby they are able to exchange information with each other, if such need arises.

Audit findings are discussed for improvements by each department and the Department in Charge and audits are reimplemented to ensure that the necessary improvements are being made. Risk control activities, such as awareness-raising, educational activities, audits, identifications, improvements, and reimplemented audits are conducted during these audits by each department. The results and countermeasures developed are reported to the Company-wide Risk Management Committee, which is responsible for internal controls. The Company-wide Risk Management Committee reports the status of Kubota Corporation's internal controls to the President and the Board of Directors. Through these activity cycles, Kubota Corporation makes efforts to establish and strengthen its internal controls and enhances the quality of business execution.

3) Outside Directors and Outside Audit & Supervisory Board Members

Kubota Corporation elects two Outside Directors and two Outside Audit & Supervisory Board Members. In selecting candidates for the positions of the Outside Directors and the Outside Audit & Supervisory Board Members, Kubota Corporation considers their experience outside Kubota Corporation, professional insight, and other qualifications, and recommends them to the General Meeting of Shareholders after approval by the Board of Directors. Kubota Corporation established policies as to criteria for independency in electing them by reference to the rules for Independent Executives defined by the TSE and Kubota Corporation elects those who have no possibility of a conflict of interest with ordinary shareholders accordingly.

Kubota Corporation elects Yuzuru Matsuda as an Outside Director since Kubota Corporation wishes to receive his advice about general management based on his adequate experience and considerable insight in management which he acquired through his duties as a president of a listed company for a long time. Kubota Corporation has no business relationship with Kyowa Hakko Kirin Co., Ltd., which he used to serve for, and Kato Memorial Bioscience Foundation, BANDAI Namco Holdings, Inc., and JSR Corporation, which he concurrently serves for. Kubota Corporation places him as an Independent Executive since there is no particular vested interest between Kubota Corporation and him, and there is no possibility for a conflict of interest with ordinary shareholders.

Kubota Corporation elects Koichi Ina as an Outside Director since Kubota Corporation wishes to receive his advice about general management based on his adequate experience and considerable insight in management which he acquired through his duties as a president, chairman, and plant and manufacturing manager in the motor vehicle industry. Kubota Corporation has no business relationship with Toyota Motor Corporation, which he used to serve for. Kubota Corporation has a business relationship with Daihatsu Motor Co., Ltd., where he concurrently serves for, but the amount arising from the above transactions for the year ended December 31, 2016 was less than 1% of the total consolidated revenues of the Company. Kubota Corporation places him as an Independent Executive since there is no particular vested interest between Kubota Corporation and him, and there is no possibility for a conflict of interest with ordinary shareholders.

Kubota Corporation elects Akira Morita as an Outside Audit & Supervisory Board member since Kubota Corporation wishes him to conduct audits from a broad-ranging and high-level perspective based on his adequate experience and considerable insight as a jurist. Kubota Corporation has no business relationship with Doshisya University and Miyake & Partners Law Firm, which he concurrently serves for. Kubota Corporation places him as an Independent Executive since there is no particular vested interest between Kubota Corporation and him, and there is no possibility for a conflict of interest with ordinary shareholders.

Kubota Corporation elects Teruo Suzuki as an Outside Audit & Supervisory Board Member since Kubota Corporation wishes him to conduct audits from a broad-ranging and high-level perspective based on his adequate experience and considerable insight as a CPA in corporate accounting and finance. Kubota Corporation has no business relationship with KPMG AZSA LLC, where he initially started his career as a CPA, and Seven-Eleven Japan Co., Ltd., which he concurrently serves for. Kubota Corporation has a business relationship with Kao Corporation, which he used to serve for, but the amount arising from the above transactions for the year ended December 31, 2016 was less than 1% of the total consolidated revenues of the Company. Kubota Corporation places him as an Independent Executive since there is no particular vested interest between Kubota Corporation and him, and there is no possibility for a conflict of interest with ordinary shareholders.

Share ownership of Kubota Corporation by the Outside Directors and the Outside Audit & Supervisory Board Members is stated in "5. Directors and Senior Management" in "4. Information on Kubota Corporation." There is no material vested interest which might have a conflict of interest with ordinary shareholders. Kubota Corporation has notified the TSE that all Outside Directors and Audit & Supervisory Board Members are Independent Executives as defined by the TSE.

The Outside Directors also collaborate with Independent Auditors and internal control departments as described in "2) Status of Internal Audit, Audit by Audit & Supervisory Board Members, and Audit by Independent Auditors" of "(1) Corporate Governance" in "6. Corporate Governance."

4) Compensation

a) Compensation by Position

The aggregate compensation paid by Kubota Corporation for the year ended December 31, 2017 to the Directors and the Audit & Supervisory Board Members was as follows:

Position	Number of persons	Total amount of compensation (¥ in millions)	Total amount by type (¥ in millions)	
			Remunerations	Bonuses
Directors (excluding Outside Directors)	7	¥ 527	¥ 337	¥ 190
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	2	68	68	—
Outside Directors and Outside Audit & Supervisory Board Members	5	62	62	—

(Notes)

- The above includes the compensation of one Outside Audit & Supervisory Board Member who retired due to expiration of the term of office at the close of the 126th Ordinary General Meeting of Shareholders held on March 25, 2016.
- The compensation for the Directors is determined at the Meetings of the Board of Directors based on the deliberation at the Compensation Advisory Committee within the range of the maximum aggregate amounts of compensation approved at the General Meeting of Shareholders in consideration of operating results of the Company, compensation levels of other companies, and the wage level of employees of Kubota Corporation.

With the objectives of offering incentives to the Directors (excluding the Outside Directors, hereinafter the “Directors Covered by the Plan”) to achieve sustained improvement of the corporate value of Kubota Corporation and share more of the value with its shareholders, a proposal of a new compensation plan for granting restricted stock to the Directors Covered by the Plan was resolved at the the 127th Ordinary General Meeting of Shareholders held on March 24, 2017.

The compensation for the Audit & Supervisory Board Members is determined upon consultation among the Audit & Supervisory Board Members within the range of the maximum aggregate amounts of compensation approved at the General Meeting of Shareholders in consideration of the roles of the respective Audit & Supervisory Board Members.

b) Consolidated Compensation by Directors and Audit & Supervisory Board Members

The aggregate compensation paid by the Company for the year ended December 31, 2016 to the Directors and the Audit & Supervisory Board Members was as follows:

Name	Total amount of consolidated compensation (¥ in millions)	Position	Company	Total amount by type (¥ in millions)	
				Remunerations	Bonuses
Masatoshi Kimata	¥ 154	Director	Kubota Corporation	¥ 102	¥ 52

(Note) The above includes only Directors and Audit & Supervisory Board Members who received ¥100 million or more as total consolidated compensation.

5) Information on Shareholdings

a) Equity Securities Held for Purposes Other than Pure Investment

The number of issues and the amount of equity securities held for purposes other than pure investment recorded on the balance sheets are as follows:

Number of issues	115
Amount recorded on balance sheets (¥ in millions)	¥ 137,032

b) Information on Equity Securities Held for Purposes Other than Pure Investment

The Issues, the number of shares, the amount of equity securities held for purposes other than pure investments recorded on the balance sheets by purpose of holding are as follows:

(The nine months ended December 31, 2015)

Specified Investment Securities

Issue	Number of shares (thousands of shares)	Balance sheet amount (¥ in millions)	Purpose of holding
Cummins Inc.	2,300	¥ 24,414	Maintaining and enhancing business relationships
Sumitomo Mitsui Financial Group, Inc.	3,412	15,719	Maintaining and enhancing business relationships

Sumitomo Mitsui Trust Holdings, Inc.	32,756	15,100	Maintaining and enhancing business relationships
Mitsubishi UFJ Financial Group, Inc.	12,767	9,665	Maintaining and enhancing business relationships
Mizuho Financial Group, Inc.	32,443	7,900	Maintaining and enhancing business relationships
Osaka Gas Co., Ltd.	15,629	6,851	Maintaining and enhancing business relationships
MS & AD Insurance Group Holdings, Inc.	1,592	5,684	Maintaining and enhancing business relationships
Toho Gas Co., Ltd.	7,197	5,649	Maintaining and enhancing business relationships
Mitsubishi Corporation	1,602	3,250	Maintaining and enhancing business relationships
Daikin Industries, Ltd.	350	3,120	Maintaining and enhancing business relationships
Shin-Etsu Chemical Co., Ltd.	464	3,074	Maintaining and enhancing business relationships
Sumitomo Corporation	2,354	2,920	Maintaining and enhancing business relationships
Mitsubishi Estate Home Co., Ltd.	1,052	2,654	Maintaining and enhancing business relationships
Daiwa House Industry Co., Ltd.	609	2,133	Maintaining and enhancing business relationships
Nissin Foods Holdings Co., Ltd.	275	1,768	Maintaining and enhancing business relationships
Saibu Gas Co., Ltd.	5,863	1,641	Maintaining and enhancing business relationships
Nankai Electric Railway Co., Ltd.	1,832	1,313	Maintaining and enhancing business relationships
Hankyu Hanshin Holdings, Inc.	1,620	1,278	Maintaining and enhancing business relationships
Yamazen Corporation	1,055	1,175	Maintaining and enhancing business relationships
Nippon Steel & Sumitomo Metal Corporation	428	1,034	Maintaining and enhancing business relationships
Yakult Honsha Co., Ltd.	169	1,008	Maintaining and enhancing business relationships
Denyo Co., Ltd.	500	951	Maintaining and enhancing business relationships
Kaneka Corporation	693	876	Maintaining and enhancing business relationships
NTN Corporation	1,616	835	Maintaining and enhancing business relationships

Deemed Shareholdings

Issue	Number of shares (thousands of shares)	Balance sheet amount (¥ in millions)	Purpose of holding
Mizuho Financial Group, Inc.	17,201	¥ 4,188	Having a right to exercise of voting rights
Shin-Etsu Chemical Co., Ltd.	620	4,102	Having a right to exercise of voting rights
Sumitomo Mitsui Financial Group, Inc.	641	2,956	Having a right to exercise of voting rights
Mitsubishi UFJ Financial Group, Inc.	3,344	2,531	Having a right to exercise of voting rights
Kaneka Corporation	1,039	1,314	Having a right to exercise of voting rights
Sumitomo Corporation	1,000	1,240	Having a right to exercise of voting rights

(Notes)

1. In specifying the major issues in light of the amount recorded on the balance sheets, specified investment securities and deemed shareholdings have not been combined.
2. Deemed shareholdings are held through a retirement benefit trust. The amounts stated in the "Balance sheet amount" column are

calculated by multiplying market price as of the balance sheet date and the number of shares of related securities. The details of rights that Kubota Corporation holds to related securities are stated in the "Purpose of holding" column.

(The year ended December 31, 2016)

Specified Investment Securities

Issue	Number of shares (thousands of shares)	Balance sheet amount (¥ in millions)	Purpose of holding
Cummins Inc.	2,300	¥ 36,617	Maintaining and enhancing business relationships
Sumitomo Mitsui Financial Group, Inc.	3,292	14,686	Maintaining and enhancing business relationships
Sumitomo Mitsui Trust Holdings, Inc.	3,005	12,572	Maintaining and enhancing business relationships
Mitsubishi UFJ Financial Group, Inc.	12,067	8,690	Maintaining and enhancing business relationships
Osaka Gas Co., Ltd.	15,629	7,026	Maintaining and enhancing business relationships
Toho Gas Co., Ltd.	7,197	6,844	Maintaining and enhancing business relationships
Mizuho Financial Group, Inc.	30,143	6,324	Maintaining and enhancing business relationships
MS & AD Insurance Group Holdings, Inc.	1,452	5,262	Maintaining and enhancing business relationships
Shin-Etsu Chemical Co., Ltd.	464	4,212	Maintaining and enhancing business relationships
Daikin Industries, Ltd.	350	3,763	Maintaining and enhancing business relationships
Mitsubishi Estate Home Co., Ltd.	1,052	2,448	Maintaining and enhancing business relationships
Mitsubishi Corporation	801	1,995	Maintaining and enhancing business relationships
Daiwa House Industry Co., Ltd.	609	1,946	Maintaining and enhancing business relationships
Sumitomo Corporation	1,222	1,680	Maintaining and enhancing business relationships
Saibu Gas Co., Ltd.	5,863	1,477	Maintaining and enhancing business relationships
Nippon Steel & Sumitomo Metal Corporation	428	1,115	Maintaining and enhancing business relationships
Nankai Electric Railway Co., Ltd.	1,832	1,086	Maintaining and enhancing business relationships
Yamazen Corporation	1,055	1,030	Maintaining and enhancing business relationships
Yakult Honsha Co., Ltd.	170	924	Maintaining and enhancing business relationships
Denyo Co., Ltd.	500	793	Maintaining and enhancing business relationships
NTN Corporation	1,616	764	Maintaining and enhancing business relationships
Tokyo Gas Co., Ltd.	1,387	733	Maintaining and enhancing business relationships
Meiji Holdings Co., Ltd.	73	673	Maintaining and enhancing business relationships
JTEKT Corporation	357	667	Maintaining and enhancing business relationships

Deemed Shareholdings

Issue	Number of shares (thousands of shares)	Balance sheet amount (¥ in millions)	Purpose of holding
Shin-Etsu Chemical Co., Ltd.	620	¥ 5,621	Having a right to exercise of voting rights
Mizuho Financial Group, Inc.	17,201	3,608	Having a right to exercise of voting rights

Sumitomo Mitsui Financial Group, Inc.	641	2,862	Having a right to exercise of voting rights
Mitsubishi UFJ Financial Group, Inc.	3,344	2,408	Having a right to exercise of voting rights
Sumitomo Corporation	1,000	1,375	Having a right to exercise of voting rights
Kaneka Corporation	1,039	989	Having a right to exercise of voting rights

(Notes)

1. In specifying the major issues in light of the amount recorded on the balance sheets, specified investment securities and deemed shareholdings have not been combined.
2. Deemed shareholdings are held through a retirement benefit trust. The amounts stated in the "Balance sheet amount" column are calculated by multiplying market price as of the balance sheet date and the number of shares of related securities. The details of rights that Kubota Corporation holds to related securities are stated in the "Purpose of holding" column.

c) Equity Securities Held for Pure Investment

Not applicable

6) Others

a) Quorum of Directors

The Articles of Incorporation of Kubota Corporation state that the number of Directors is to be ten or less.

b) Requirement for the Adoption of Resolutions for Electing Directors

Kubota Corporation stipulates in its Articles of Corporation that the presence of shareholders representing one-third or more of the voting rights held by the total shareholders entitled to exercise their voting rights and a majority of the votes held by those shareholders are required for the adoption of resolutions for the approval of elected Directors.

c) Acquisition of Treasury Stock

Kubota Corporation stipulates in its Articles of Corporation that the resolutions at the Meetings of the Board of Directors enable Kubota Corporation to acquire its treasury stock under Article 165, Paragraph 2 of the Corporate Law of Japan, which facilitates Kubota Corporation exercising acquisition of treasury stock flexibly.

d) Dividend Appropriated from Surplus

Kubota Corporation stipulates in its Articles of Corporation that dividend appropriated from surplus, which is defined by Articles 459, Paragraph 1 of the Corporate Law of Japan, is declared by the resolutions at the Meetings of the Board of Directors unless otherwise stipulated by law so that Kubota Corporation can return profit to its shareholders flexibly.

e) Interim Dividends

Kubota Corporation stipulates in its Article of Incorporation that interim dividends shall be paid to shareholders of record on June 30 upon resolution of the Meetings of the Board of Directors.

f) Requirement for the Adoption of Special Resolution of General Meeting of Shareholders

Kubota Corporation stipulates in its Articles of Incorporation that the presence of shareholders representing one-third or more of the voting rights held by the total shareholders entitled to exercise their voting rights and two-thirds of the votes held by those shareholders are required for the adoption of special resolutions of General Meeting of Shareholders under Article 309, Paragraph 2 of the Corporate Law of Japan. By relaxing the requirements for a quorum for special resolutions of General Meeting of Shareholders, deliberations for those resolutions can be made in a quick and efficient manner.

(2) Details of Auditing Fees and Other Matters

1) Details of Fees paid to Independent Auditors

Company	Year ended December 31, 2016		Nine months ended December 31, 2015	
	Fees for auditing services (¥ in millions)	Fees for non-auditing services (¥ in millions)	Fees for auditing services (¥ in millions)	Fees for non-auditing services (¥ in millions)
Kubota Corporation	¥ 244	¥ 130	¥ 248	¥ —
Consolidated subsidiaries	24	—	22	—
Total	¥ 268	¥ 130	¥ 270	¥ —

2) Details of Other Significant Fees

Year Ended December 31, 2016

Kubota Corporation and 41 consolidated subsidiaries, such as Kubota Tractor Corporation, paid fees for audit certification work of ¥596 million and other non-auditing work, such as tax related work, of ¥447 million to the member firms of Deloitte Touche Tohmatsu LLC (including group firms, such as tax accountant corporations), the Company's Independent Auditors, for the year ended December 31, 2016.

Nine Months Ended December 31, 2015

Kubota Corporation and 37 consolidated subsidiaries, such as Kubota Tractor Corporation, paid fees for audit certification work of ¥644 million and other non-auditing work, such as tax related work, of ¥265 million to the member firms of Deloitte Touche Tohmatsu LLC (including group firms, such as tax accountant corporations), the Company's Independent Auditors, for the nine months ended December 31, 2015.

3) Details of Non-Auditing Work Performed by Independent Auditor of Kubota Corporation

Year Ended December 31, 2016

Fees related to non-auditing work, such as consulting services on finance, were paid to Deloitte Touche Tohmatsu LLC by Kubota Corporation.

Nine months Ended March 31, 2016

Fees related to non-auditing work, such as consulting services on finance, were paid to Deloitte Touche Tohmatsu LLC by Kubota Corporation.

4) Policy for Determining Audit Fees

In determining audit fees, factors such as the number of days required for auditing are taken into account. The approval of the Audit & Supervisory Board is obtained and consideration is taken not to impair the independence of certified public accounting firms when decisions on fees are made.

5. Stock-Related Administration of Kubota Corporation

Fiscal year:	From January 1 to December 31
Ordinary General Meeting of Shareholders:	During March
Record date:	December 31
Record date for dividend distribution of surplus:	June 30 and December 31
Number of shares per unit of shares:	100 shares
Purchase and sale of shares less than one unit:	
Handling office:	(Special account) 5-33, Kitahama 4-chome, Chuo-ku, Osaka, Japan Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Business Planning Dept.
Transfer agent:	(Special account) 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan Sumitomo Mitsui Trust Bank, Limited
Forward office:	—
Purchasing and selling fee:	Amount equivalent to fees for entrusting sale or purchase of stock
Method of public notice:	Kubota Corporation carries out its public notifications through electronic public notice. However, if the Company cannot use the above-mentioned method of public notice due to an accident or other inevitable reasons, public notification shall be posted in the Nihon Keizai Shimbun (the Nikkei Newspaper). URL of Kubota Corporation where electronic public notice is carries out is as follows: http://www.kubota.co.jp
Special benefit for shareholders:	Not applicable

(Notes)

1. The number of shares per unit of shares was changed from 1,000 shares to 100 shares as of January 1, 2016.
2. A holder of shares of Kubota Corporation representing less than one unit cannot exercise the rights except the following:
 - 1) Rights under each item of Article 189, Paragraph 2 of the Corporate Law of Japan,
 - 2) Rights to claim under Article 166, Paragraph 1 of the Corporate Law of Japan,
 - 3) Rights to receive an allocation of share offerings and stock acquisition rights in proportion to the number of shares held,
and
 - 4) Rights to claim for the sale of shares by combining a share representing less than one unit.

6. Reference Information on Kubota Corporation

1. Information on Parent Company of Kubota Corporation

Kubota Corporation has no parent company.

2. Other Reference Information

Kubota Corporation filed the following documents during the period from the commencing date of the nine months ended December 31, 2015 to the filing date of the Annual Securities Report.

(1) Annual Securities Report and the attachments thereto, and Confirmation Letter	Fiscal Year (the 126 th business term)	From April 1, 2015 To December 31, 2015	Filed with the Director of the Kanto Local Finance Bureau on March 25, 2016
(2) Internal Control Report and the attachments thereto	Fiscal Year (the 126 th business term)	From April 1, 2015 To December 31, 2015	Filed with the Director of the Kanto Local Finance Bureau on March 25, 2016
(3) Quarterly Reports and Confirmation Letters	(First Quarter of the 127 th business term)	From January 1, 2016 To March 31, 2016	Filed with the Director of the Kanto Local Finance Bureau on May 13, 2016
	(Second Quarter of the 127 th business term)	From April 1, 2016 To June 30, 2016	Filed with the Director of the Kanto Local Finance Bureau on August 9, 2016
	(Third Quarter of the 127 th business term)	From July 1, 2016 To September 30, 2016	Filed with the Director of the Kanto Local Finance Bureau on November 11, 2016
(4) Extra Ordinary Report	Pursuant to Article 19, Paragraph 2, Item 9-2 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs (Results of Execution of Voting Rights at the General Meeting of Shareholders)		Filed with the Director of the Kanto Local Finance Bureau on March 29, 2016
(5) Registration Form of Issuance (Stock, Bond, and, etc.) and the attachments thereto			Filed with the Director of the Kanto Local Finance Bureau on September 26, 2016
(6) Revised Registration Form of Issuance (Bond)			Filed with the Director of the Kanto Local Finance Bureau on November 11, 2016
(7) Status Report of Acquisition of Treasury Stock			Filed with the Director of the Kanto Local Finance Bureau:
			on June 7, 2016
			on July 6, 2016
			on August 3, 2016
			on September 7, 2016
			on October 7, 2016
			on November 4, 2016
			on December 5, 2016
		on January 10, 2017	
		on February 3, 2017	
		on March 3, 2017	

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Consolidated Financial Statements

Kubota Corporation and its Subsidiaries

(1) Consolidated Balance Sheets

(¥ in millions)

At December 31:	2016	2015
ASSETS		
Current assets:		
Cash and cash equivalents	¥ 169,416	¥ 146,286
Notes and accounts receivable:		
Trade notes	75,798	78,928
Trade accounts	559,488	551,905
Less: Allowance for doubtful notes and accounts receivable	(2,472)	(3,216)
Short-term finance receivables—net	244,184	224,058
Inventories	356,180	356,441
Other current assets	160,480	136,444
Total current assets	1,563,074	1,490,846
Investments and long-term finance receivables:		
Investments in and loan receivables from affiliated companies	28,517	26,416
Other investments	140,667	139,636
Long-term finance receivables—net	508,289	482,482
Total investments and long-term finance receivables	677,473	648,534
Property, plant, and equipment:		
Land	82,104	81,915
Buildings	292,898	268,965
Machinery and equipment	491,040	465,425
Construction in progress	17,378	11,252
Total property, plant, and equipment	883,420	827,557
Less: Accumulated depreciation	(569,189)	(541,687)
Net property, plant, and equipment	314,231	285,870
Other assets:		
Goodwill and intangible assets—net	46,057	29,430
Long-term trade accounts receivable	39,852	36,758
Other	30,658	42,287
Less: Allowance for doubtful non-current receivables	(763)	(799)
Total other assets	115,804	107,676
Total assets	¥ 2,670,582	¥ 2,532,926

(¥ in millions)

At December 31:	2016	2015
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term borrowings	¥ 193,883	¥ 186,216
Trade notes payable	157,471	157,165
Trade accounts payable	98,388	103,169
Advances received from customers	6,927	7,475
Notes and accounts payable for capital expenditures	24,321	15,470
Accrued payroll costs	35,902	33,099
Accrued expenses	64,662	61,494
Income taxes payable	19,650	5,544
Other current liabilities	90,197	80,152
Current portion of long-term debt	145,212	158,117
Total current liabilities	836,613	807,901
Long-term liabilities:		
Long-term debt	478,894	424,370
Accrued retirement and pension costs	12,091	12,148
Other long-term liabilities	71,059	69,949
Total long-term liabilities	562,044	506,467
Commitments and contingencies		
Equity:		
Kubota Corporation shareholders' equity:		
Common stock, authorized 1,874,700,000 shares at December 31, 2016 and 2015 and issued 1,241,119,180 shares and 1,244,919,180 shares at December 31, 2016 and 2015, respectively	84,070	84,070
Capital surplus	84,605	87,838
Legal reserve	19,539	19,539
Retained earnings	961,403	869,769
Accumulated other comprehensive income	49,336	79,292
Treasury stock (415,691 shares and 415,635 shares at December 31, 2016 and 2015, respectively), at cost	(192)	(198)
Total Kubota Corporation shareholders' equity	1,198,761	1,140,310
Non-controlling interests	73,164	78,248
Total equity	1,271,925	1,218,558
Total liabilities and equity	¥ 2,670,582	¥ 2,532,926

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)

	Year ended December 31, 2016	Nine months ended December 31, 2015	Year ended March 31, 2015
Revenues	¥ 1,596,091	¥ 1,244,775	¥ 1,584,265
Cost of revenues	1,122,546	848,397	1,102,944
Selling, general, and administrative expenses	283,849	224,564	278,962
Other operating expenses (income)—net	919	4,940	(746)
Operating income	188,777	166,874	203,105
Other income (expenses):			
Interest and dividend income	7,049	5,782	5,208
Interest expense	(503)	(698)	(1,114)
Gain on sales of securities—net	6,826	1,559	1,366
Foreign exchange gain (loss)—net	(3,556)	(11,935)	3,668
Other—net	(1,622)	7,922	(1,524)
Other income (expenses)—net	8,194	2,630	7,604
Income before income taxes and equity in net income of affiliated companies	196,971	169,504	210,709
Income taxes:			
Current	56,114	47,614	64,364
Deferred	432	6,647	(3,214)
Total income taxes	56,546	54,261	61,150
Equity in net income of affiliated companies	2,440	2,009	1,748
Net income	142,865	117,252	151,307
Less: Net income attributable to non-controlling interests	10,380	7,145	11,773
Net income attributable to Kubota Corporation	¥ 132,485	¥ 110,107	¥ 139,534
Net income attributable to Kubota Corporation per common share:			
Basic	¥ 106.58	¥ 88.47	¥ 111.68

Consolidated Statements of Comprehensive Income (Loss)

(¥ in millions)

	Year ended December 31, 2016	Nine months ended December 31, 2015	Year ended March 31, 2015
Net income	¥ 142,865	¥ 117,252	¥ 151,307
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments	(24,324)	(17,612)	61,550
Unrealized gains (losses) on securities	2,587	(10,675)	12,602
Unrealized gains on derivatives	—	10	11
Pension liability adjustments	(8,529)	(6,915)	3,416
Total other comprehensive income (loss)	(30,266)	(35,192)	77,579
Comprehensive income	112,599	82,060	228,886
Less: Comprehensive income attributable to non-controlling interests	9,879	1,991	18,578
Comprehensive income attributable to Kubota Corporation	¥ 102,720	¥ 80,069	¥ 210,308

See notes to consolidated financial statements.

(3) Consolidated Statements of Changes in Equity

(¥ in millions, except per share amounts)

	Kubota Corporation shareholders' equity								
	Shares of common stock outstanding (thousands of shares)	Common stock	Capital surplus	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock, at cost	Non-controlling interests	Total equity
Balance at March 31, 2014	1,249,746	¥ 84,070	¥ 88,753	¥ 19,539	¥ 705,216	¥ 38,466	¥ (287)	¥ 65,818	¥ 1,001,575
Net income					139,534			11,773	151,307
Other comprehensive income						70,774		6,805	77,579
Cash dividends paid to Kubota Corporation shareholders (¥30.00 per common share)					(37,503)				(37,503)
Cash dividends paid to non-controlling interests								(658)	(658)
Purchases and sales of treasury stock	(4,046)						(7,816)		(7,816)
Retirement of treasury stock					(7,702)		7,702		-
Changes in ownership interests in subsidiaries			(873)			206		(5,351)	(6,018)
Balance at March 31, 2015	1,245,700	¥ 84,070	¥ 87,880	¥ 19,539	¥ 799,545	¥ 109,446	¥ (401)	¥ 78,387	¥ 1,178,466
Net income					110,107			7,145	117,252
Other comprehensive loss						(30,038)		(5,154)	(35,192)
Cash dividends paid to Kubota Corporation shareholders (¥30.00 per common share)					(37,366)				(37,366)
Cash dividends paid to non-controlling interests								(1,797)	(1,797)
Purchases and sales of treasury stock	(1,196)						(2,314)		(2,314)
Retirement of treasury stock					(2,517)		2,517		-
Increase in non-controlling Interests related to contribution								141	141
Changes in ownership interests in subsidiaries			(42)			(116)		(474)	(632)
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					132,485			10,380	142,865
Other comprehensive loss						(29,765)		(501)	(30,266)
Cash dividends paid to Kubota Corporation shareholders (¥28.00 per common share)					(34,839)				(34,839)
Cash dividends paid to non-controlling interests								(2,270)	(2,270)
Purchases and sales of treasury stock	(3,801)				(1)		(6,005)		(6,006)
Retirement of treasury stock					(6,011)		6,011		-
Changes in ownership interests in subsidiaries			(3,233)			(191)		(12,693)	(16,117)
Balance at December 31, 2016	1,240,703	¥ 84,070	¥ 84,605	¥ 19,539	¥ 961,403	¥ 49,336	¥ (192)	¥ 73,164	¥ 1,271,925

See notes to consolidated financial statements.

(4) Consolidated Statements of Cash Flows

(¥ in millions)

	Year ended December 31, 2016	Nine months ended December 31, 2015	Year ended March 31, 2015
Operating activities:			
Net income	¥ 142,865	¥ 117,252	¥ 151,307
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	43,371	31,193	38,249
Gain on sales of securities—net	(6,826)	(1,559)	(1,366)
Loss (gain) from disposal of fixed assets—net	203	760	(1,981)
Impairment loss on long-lived assets	176	3,738	1,244
Equity in net income of affiliated companies	(2,440)	(2,009)	(1,748)
Deferred income taxes	432	6,647	(3,214)
Changes in assets and liabilities:			
(Increase) decrease in notes and accounts receivable	(6,641)	49,479	(45,930)
Increase in inventories	(5,339)	(27,881)	(19,787)
Increase in other current assets	(9,909)	(13,949)	(2,226)
(Decrease) increase in trade notes and accounts payable	(1,689)	34,249	(16,833)
Increase (decrease) in income taxes payable	14,368	(11,860)	(20,229)
Increase in other current liabilities	12,381	9,202	11,915
Decrease in accrued retirement and pension costs	(2,521)	(5,634)	(11,470)
Other	6,547	7,412	7,949
Net cash provided by operating activities	184,978	197,040	85,880
Investing activities:			
Purchases of fixed assets	(56,139)	(39,267)	(46,412)
Purchases of investments	(24)	(47)	(127)
Proceeds from sales of property, plant, and equipment	1,616	3,027	11,399
Proceeds from sales and redemption of investments	9,673	2,532	2,373
Acquisition of businesses, net of cash acquired	(42,396)	136	(334)
Increase in finance receivables	(362,325)	(304,678)	(341,900)
Collection of finance receivables	294,190	222,611	265,254
Net decrease (increase) in short-term loan receivables from affiliated companies	1,502	3,443	(4,459)
Net increase in time deposits	(8,649)	(17,368)	(116)
Other	(4,973)	(696)	(2,905)
Net cash used in investing activities	(167,525)	(130,307)	(117,227)
Financing activities:			
Proceeds from issuance of long-term debt	225,809	87,585	337,964
Repayments of long-term debt	(170,685)	(109,741)	(196,933)
Net increase (decrease) in short-term borrowings	15,851	35,956	(41,013)
Payments of cash dividends	(34,839)	(37,366)	(37,503)
Purchases of treasury stock	(6,006)	(2,314)	(7,817)
Purchases of non-controlling interests	(16,496)	(37)	(6,048)
Other	(2,270)	(1,754)	(656)
Net cash provided by (used in) financing activities	11,364	(27,671)	47,994
Effect of exchange rate changes on cash and cash equivalents	(5,687)	(5,204)	7,376
Net increase in cash and cash equivalents	23,130	33,858	24,023
Cash and cash equivalents, beginning of period	146,286	112,428	88,405
Cash and cash equivalents, end of period	¥ 169,416	¥ 146,286	¥ 112,428

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 and agricultural-related products, engines, construction machinery, electronic equipped machinery, pipe-related products, environment-related products, and social infrastructure-related products.

The Company manufactures its products not only in Japan but also in overseas countries, such as in the U.S., 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”).

Principles of Consolidation

The consolidated financial statements include the accounts of the Parent Company and all majority-owned subsidiaries. The accounts of variable interest entities (“VIE(s)”) are included in the consolidated financial statements, as applicable. Intercompany items have been eliminated in consolidation. Investments in affiliated companies in which the Company has the ability to exercise significant influence over their operating and financial policies, but where the Company does not have a controlling financial interest, are accounted for using the equity method.

As of December 31, 2016, the Company had 172 consolidated subsidiaries (including VIEs: see Note 3. AFFILIATED COMPANIES AND VARIABLE INTEREST ENTITIES) and 17 affiliated companies, which is an increase of 19 and a decrease of one, respectively, from the prior fiscal year end.

Use of Estimates

Preparing financial statements in accordance with U.S. GAAP requires the Company to make estimates and assumptions that affect reported amounts and related disclosures. Significant estimates and assumptions are used primarily in the areas of inventory valuation, impairment of investments, allowance for doubtful accounts and credit losses, impairment of long-lived assets, product warranties, accruals for employee retirement and pension plans, valuation allowance for deferred tax assets, uncertain tax positions, revenue recognition for long-term contracts, and loss contingencies. Actual results could differ from those estimates.

Foreign Currency Translation

The assets and liabilities of subsidiaries located in countries other than Japan are translated into Japanese yen using the current exchange rate at each balance sheet date and any resulting translation adjustments are included in accumulated other comprehensive income. Revenues and expenses are translated into Japanese yen using the average exchange rate for each period presented.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Time deposits with original maturities of three months or less amounting to ¥19,232 million, ¥17,978 million, and ¥6,967 million were included in cash and cash equivalents at December 31, 2016 and 2015, and March 31, 2015, respectively. Restricted cash, which is pledged as collateral and received as advance payment for public works projects, is not included in cash and cash equivalents, but rather included in other current assets, and amounted to ¥10,007 million, ¥4,825 million, and ¥4,298 million at December 31, 2016 and 2015, and March 31, 2015, respectively.

Securitization of Receivables

Certain finance receivables are periodically transferred to special purpose entities (“SPE”) in securitization transactions (See Note 3. AFFILIATED COMPANIES AND VARIABLE INTEREST ENTITIES). These securitizations qualify as collateral for secured debt and no gains or losses are recognized at the time of securitization. The receivables remain on the consolidated balance sheets and are included in short-term and long-term finance receivables—net.

Inventories

Inventories are stated at the lower of cost or market. Cost is principally determined by the moving-average method.

Investments

The Company classifies all its marketable equity securities as available-for-sale securities and carries them at fair value with a corresponding recognition of the net unrealized holding gains or losses (net of tax) as an item of accumulated other comprehensive income in equity. The fair values of those securities are determined based on quoted market prices.

When a decline in value of a marketable security is deemed to be other-than-temporary, the Company recognizes an impairment loss to the extent of the decline. In determining if and when such a decline in value is other-than-temporary, the Company evaluates the extent to which cost exceeds market value, the duration of the market decline, and other key measures. Other nonmarketable securities are stated at cost and reviewed periodically for impairment.

Gains and losses on sales of available-for-sale securities as well as other nonmarketable equity securities which are carried at cost are computed on the average-cost method.

Allowance for Doubtful Accounts and Credit Losses

The Company provides an allowance for doubtful accounts and credit losses. The allowance for doubtful accounts and credit losses is determined on the basis of the collection status of receivables, historical credit loss experience, economic trends, the customer's ability to repay, and collateral values. 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.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost less accumulated depreciation. Depreciation expenses related to manufacturing activities are included in cost of revenues, and the other depreciation expenses are classified in selling, general, and administrative expenses. Depreciation expenses of those assets are principally computed by using the declining-balance method based on the estimated useful lives of the assets. The estimated useful lives range from ten to 50 years for buildings and from two to 14 years for machinery and equipment.

Goodwill and Intangible Assets

Goodwill is not amortized, but is instead tested for impairment annually or whenever events occur or circumstances change, which indicates the possibility of the impairment. When evaluating whether goodwill is impaired, the Company compares the fair value of the reporting unit to which the goodwill is assigned to the reporting unit's carrying amount, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, then the amount of the impairment loss is measured. An impairment loss would be recognized when the carrying amount of goodwill exceeds its implied fair value. The Company's evaluation of goodwill completed during the current year resulted in no impairment losses.

Intangible assets with definite useful lives are amortized by a method reflecting the pattern in which the economic benefits of the intangible assets are consumed if that pattern can be reliably determined. If that pattern cannot be reliably determined, the straight-line method of amortization is used.

Long-Lived Assets

The Company evaluates long-lived assets (including property, plant, equipment and intangible assets with definite useful lives) to be held and used for impairment using an estimate of undiscounted cash flows whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. If the estimate of undiscounted cash flows is less than the carrying amount of the assets, an impairment loss is recorded based on the fair value of the assets. The Company evaluates long-lived assets to be disposed of by sale at the lower of carrying amount or fair value less cost to sell.

Retirement and Pension Plans

The funded status of the Company's defined benefit pension plans and severance indemnity plans are recorded as an asset or a liability on the consolidated balance sheets with a corresponding adjustment to pension liability adjustment in accumulated other comprehensive income, net of tax. The funded status is measured as the difference between the fair value of plan assets and the benefit obligation at each balance sheet date, which is the measurement date.

The Company amortizes the prior service costs (benefits) due to amendments of the benefit plans over the average remaining service period of the participants at the time of the amendments. The Company recognizes any net actuarial gains and losses in excess of 20% of the larger of the projected benefit obligation or plan assets in the year following the year in which such gains and losses were incurred, and the portion between 10% and 20% is amortized over the average participants' remaining service period while the portion of less than 10% is not amortized.

Income Taxes

Deferred tax assets and liabilities are computed based on the differences between the financial statements and the income tax bases of assets and liabilities and tax loss and other carryforwards using the enacted tax rate. A valuation allowance is established, when necessary, to reduce deferred tax assets to the amount that is more likely than not to be realized.

The Company recognizes the financial statement effects of uncertain tax positions when it is more likely than not, based on the technical merits, that the tax positions will be sustained upon examination by the tax authorities. Benefits from uncertain tax positions that meet the more likely than not recognition threshold are measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon settlement. Interest and penalties accrued related to unrecognized tax benefits are included in income taxes in the consolidated statements of income.

Consumption Taxes

Revenues are presented exclusive of consumption taxes.

Revenue Recognition

The Company recognizes revenue related to product sales when (1) persuasive evidence of an arrangement exists, (2) delivery has occurred or services have been rendered, (3) the sales price is fixed or determinable, and (4) collectability is reasonably assured. The Company records estimated reductions to sales at the time of sale for sales incentive programs including product discounts, customer promotions, and volume-based rebates.

The sales of environmental and other plant and equipment are recorded when the installation of plant and equipment is completed and accepted by the customer for short-term contracts, and recorded under the percentage-of-completion method of accounting for long-term contracts (See Note 11. REVENUE RECOGNITION FOR LONG-TERM CONTRACTS). Estimated losses on sales contracts are charged to income in the period in which they are identified. The percentages of revenues to consolidated revenues for the year ended December 31, 2016, the nine months ended December 31, 2015, and the year ended March 31, 2015 that pertain to long-term contracts were 2.6%, 1.9%, and 2.2%, respectively.

Finance income is recognized over the lives of the receivables using the interest method.

Research and Development and Advertising

Research and development and advertising costs are expensed as incurred.

Shipping and Handling Costs

Shipping and handling costs are included in selling, general, and administrative expenses.

Expense from the Payments for Health Hazard of Asbestos

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.

(See Note 19. COMMITMENTS AND CONTINGENCIES)

Derivative Financial Instruments

All derivatives are recorded on the consolidated balance sheets at fair value and are reported in other current assets, other assets, other current liabilities, or other long-term liabilities. The Company does not offset the fair value of contracts in gain and loss positions.

On the date a derivative contract is entered into, if appropriate, the Company designates the derivative as a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability (a cash flow hedge).

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as cash flow hedges to specific assets and liabilities on the consolidated balance sheets or to specific firm commitments or forecasted transactions. The Company considers its hedges to be highly effective in offsetting changes in cash flows of hedged items because the currency, index of interest rates, amount, and terms of the derivatives correspond to those of the hedged items in accordance with the Company's policy.

Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a cash flow hedge are recorded in accumulated other comprehensive income, net of tax, until earnings are affected by the variability in cash flows of the designated hedged item. The ineffective portion of changes in the fair value of derivatives is immediately recorded in earnings.

The Company also uses derivatives not designated as cash flow hedges in certain relationships for economic purposes. Changes in the fair value of derivatives not designated are reported in earnings immediately.

Fair Value Measurement

Certain assets and liabilities that fall within the scope of the fair value measurements are categorized into three levels by inputs used for measurements. The Company determines transfers between their levels at the date of the event or change in circumstances that caused the transfer.

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

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

Level 3 – Unobservable inputs for the assets or liabilities. These are measured using the entity's own assumptions and inputs that are reasonably available or inputs many market participants use with reasonable confidence because observable inputs are not available.

Net income attributable to Kubota Corporation per common share

Net income attributable to Kubota Corporation per common share is computed by dividing net income attributable to Kubota Corporation by the weighted-average number of common shares outstanding during each period or year. The weighted-average numbers of common shares outstanding for the year ended December 31, 2016, the nine months ended December 2015, and the year ended March 31, 2015 were 1,243,069,436, 1,244,521,893, and 1,249,363,232, respectively. There were no potentially dilutive shares outstanding for the year ended December 31, 2016, the nine months ended December 31, 2015, and the year ended March 31, 2015.

Change in Fiscal Year-ends

In order for the Company to strengthen and refine its financial reporting and management system throughout the world by aligning the fiscal year of the Parent Company with those of its foreign subsidiaries, the Parent Company changed its fiscal year-end from March 31 to December 31, starting from the last fiscal period by the resolution of a partial amendment to the Articles of Incorporation at the Ordinary General Meeting of Shareholders held on June 19, 2015. The same change in the fiscal year-end was made to subsidiaries in Japan that had fiscal year-ends other than December 31.

Changes in Accounting Policies

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

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

With these retrospective adjustments, the amount of retained earnings at the beginning of the year ended March 31, 2015 was adjusted from ¥703,740 million to ¥705,216 million.

The following table presents the effects of retrospective adjustments for the year ended March 31, 2015:

(¥ in millions, except per common share amounts)

	Year ended March 31, 2015	
	Before retrospective adjustments	After retrospective adjustments
Consolidated Statement of Income:		
Net income	¥ 151,790	¥ 151,307
Net income attributable to Kubota Corporation	140,012	139,534
Consolidated Statement of Cash Flows:		
Net cash provided by operating activities	¥ 84,000	¥ 85,880
Net cash used in investing activities	(117,507)	(117,227)
Net cash provided by financing activities	52,602	47,994
Cash and cash equivalents, end of year	113,016	112,428
Net income attributable to Kubota Corporation per common share:		
Basic	¥ 112.07	¥ 111.68

New Accounting Standards

In May 2014, the Financial Accounting Standards Board (the "FASB") issued a new accounting standard related to revenue recognition. This standard is based on the principle that revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The purpose of this standard is to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP and International Financial Reporting Standards. This standard was originally expected to be effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. However, in August 2015, the FASB issued an accounting standard update that deferred the effective date of this standard by one year. In March 2016, the FASB issued another accounting standard update that clarified the implementation guidance on principal versus agent consideration in this standard. In April 2016, the FASB issued a further accounting standard update that clarified the performance obligation identification and the licensing implementation guidance. In May 2016, the FASB issued an accounting standard update that reduced the potential for diversity in practice at initial application and the cost and complexity of applying this standard. The above updates issued during 2016 did not change the core principle of this standard and effective date of these updates are the same as this standard. The Company is currently evaluating the impact of adoption of this standard on the consolidated financial statements.

In April 2015, the FASB issued a new accounting standard related to the presentation of debt issuance costs. The standard requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The standard is effective for fiscal years beginning after December 15, 2015, and interim periods within those years. The Company adopted this standard on January 1, 2016, and the adoption of this standard did not have a material impact on the consolidated

financial statements.

In May 2015, the FASB issued a new accounting standard related to the disclosures for investments in certain entities that are measured at net asset value per share (or its equivalent). This standard requires that investments for which fair value is measured at net asset value per share (or its equivalent) using the practical expedient should not be categorized in the fair value hierarchy. The standard is effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The Company adopted this standard on January 1, 2016, and the adoption of this standard did not have a material impact on the consolidated financial statements.

In July 2015, the FASB issued 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 standard is effective for fiscal years beginning after December 15, 2016, including interim periods within those years. The adoption of this standard is not expected to have a material impact on the consolidated financial statements.

In September 2015, the FASB issued a new accounting standard related to simplifying the accounting for adjustments made to provisional amounts recognized in a business combination. This standard eliminates the requirement to retrospectively account for those adjustments and requires an acquirer to recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustments are determined. This standard is effective for fiscal years beginning after December 15, 2015, and interim periods within those years. The Company adopted this standard on January 1, 2016, and the adoption of this standard did not have a material impact on the consolidated financial statements.

In November 2015, the FASB issued a new accounting standard related to the classification of deferred taxes on the balance sheet. This standard requires that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. This standard is effective for fiscal years beginning after December 15, 2016, including interim periods within those years. The carrying amounts of current portion of deferred tax assets and deferred tax liabilities included in the Company's consolidated balance sheets as of December 31, 2016 were ¥46,798 million and ¥160 million, respectively.

In January 2016, the FASB issued a new accounting standard related to the recognition and measurement of financial assets and financial liabilities. This standard requires equity investments with readily determinable fair value to be measured at fair value with changes in fair value recognized in net income; simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment; eliminates the requirement to disclose the method(s) and significant assumptions used to estimate the fair value; and requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet and the accompanying notes to the financial statements. This standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those years. The Company is currently evaluating the impact of adoption of this standard on the consolidated financial statements.

In February 2016, the FASB issued a new accounting standard related to leases. This standard requires an entity to recognize lease assets and lease liabilities on the balance sheet for, with a few exceptions, those leases classified as operating leases under current U.S. GAAP. This standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those years. The Company is currently evaluating the impact of adoption of this standard on the consolidated financial statements.

In June 2016, the FASB issued a new accounting standard related to measurement of credit losses on financial instruments. This standard replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses. This standard is effective for fiscal years beginning after December 15, 2020, including interim periods within those years. The Company is currently evaluating the impact of adoption of this standard on the consolidated financial statements.

In August 2016, the FASB issued a new accounting standard related to the presentation and classification of the statements of cash flows. This standard reduces diversity in practice in how certain cash receipts and payments are presented and classified in the statement of cash flows. This standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those years. The adoption of this standard is not expected to have a material impact on the consolidated financial statements.

In October 2016, the FASB issued a new accounting standard related to the accounting for the income tax consequence. This standard eliminates an exception that prohibits the recognition of current and deferred income taxes for an intra-entity asset transfer until the asset transferred has been sold to an outside party and requires an entity to

recognize the income tax consequences of an intra-transfer of an asset other than inventory. This standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those years. The adoption of this standard is not expected to have a material impact on the consolidated financial statements.

In November 2016, the FASB issued a new accounting standard related to the presentation and classification of changes in restricted cash on the statement of cash flows. This standard provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows, thereby reducing the diversity in practice. This standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those years. The Company is currently evaluating the impact of adoption of this standard on the consolidated financial statements.

In January 2017, the FASB issued a new accounting standard related to the accounting treatment for subsequently measuring goodwill. This standard simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. This standard is effective for its annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2020. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The adoption of this standard is not expected to have a material impact on the consolidated financial statements.

2. INVENTORIES

Inventories are comprised of the following:

(¥ in millions)

At December 31:	2016	2015
Finished products	¥ 220,510	¥ 219,860
Spare parts	44,885	42,148
Work in process	46,660	52,482
Raw materials and supplies	44,125	41,951
	¥ 356,180	¥ 356,441

3. AFFILIATED COMPANIES AND VARIABLE INTEREST ENTITIES

Investments in and Loan Receivables from Affiliated Companies and Transactions with Affiliated Companies

Investments in and loan receivables from affiliated companies in which the Company has the ability to exercise significant influence over their operating and financial policies are comprised of the following:

(¥ in millions)

At December 31:	2016	2015
Loan receivables—current	¥ 6,093	¥ 7,595
Loan receivables—non-current	12	12
Investments	28,505	26,404
	¥ 34,610	¥ 34,011

The amounts of loan receivables—current are recorded in other current assets on the consolidated balance sheets. The amounts of loan receivables—non-current and investments are recorded in investments in and loan receivables from affiliated companies on the consolidated balance sheets.

The following table presents a summary of financial information of affiliated companies:

(¥ in millions)

At December 31:	2016	2015
Current assets	¥ 72,248	¥ 72,933
Non-current assets	56,781	56,136
Total assets	129,029	129,069
Current liabilities	57,215	60,713
Long-term liabilities	8,657	9,137

Net assets		¥ 63,157	¥ 59,219
(¥ in millions)			
	Year ended December 31, 2016	Nine months ended December 31, 2015	Year ended March 31, 2015
Revenues	¥ 235,421	¥ 180,026	¥ 226,121
Cost of revenues	167,711	129,313	163,626
Net income	5,513	4,279	3,574

Trade notes and accounts receivable from affiliated companies at December 31, 2016 and 2015 were ¥22,638 million and ¥24,515 million, respectively.

Revenues from affiliated companies aggregated ¥67,582 million, ¥48,470 million, and ¥59,164 million for the year ended December 31, 2016, the nine months ended December 31, 2015, and the year ended March 31, 2015, respectively.

Cash dividends received from affiliated companies were ¥38 million for the year ended December 31, 2016. There were no cash dividends received from affiliated companies for the nine months ended December 31, 2015. Cash dividends received from affiliated companies were ¥47 million for the year ended March 31, 2015.

Retained earnings included net undistributed earnings of affiliated companies in the amount of ¥23,484 million and ¥21,457 million at December 31, 2016 and 2015, respectively.

Variable Interest Entities

The Company entered into securitization transactions by transferring a pool of certain finance receivables into newly-formed SPEs.

The Company has both the power to direct the activities that most significantly impact the SPE's economic performance through its role in managing and controlling its past due or default receivables, and the obligation to absorb losses or receive benefits that could potentially be significant to the SPE through the Company's retention of the residual interest in the SPE. As a result, the Company is considered to be the primary beneficiary of the SPE and therefore consolidated the SPE as a VIE.

The carrying amounts of assets and liabilities included in the consolidated balance sheet as of December 31, 2016 were 105,808 million of finance receivables, ¥4,750 million of other current assets, ¥96,317 million of secured debt, and ¥57 million of other current liabilities. The carrying amounts of assets and liabilities included in the consolidated balance sheet as of December 31, 2015 were ¥70,285 million of finance receivables, ¥2,826 million of current assets, ¥63,617 million of secured debt, and ¥35 million of current liabilities.

The creditors or beneficial interest holders of the above consolidated VIE have no recourse to the general credit of the Company.

As for VIEs other than that specified above, neither their aggregate size nor the Company's involvement are material to the Company's consolidated financial statements. The Company is not a primary beneficiary of the unconsolidated VIEs and does not hold any significant variable interests in these VIEs.

4. OTHER INVESTMENTS

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

(¥ in millions)	2016				2015			
	Cost	Fair value	Gross unrealized holding gains	Gross unrealized holding losses	Cost	Fair value	Gross unrealized holding gains	Gross unrealized holding losses
At December 31:								
Available-for-sale securities:								
Equity securities of financial institutions	¥ 20,017	¥ 48,435	¥ 28,418	¥ —	¥ 21,408	¥ 55,170	¥ 33,762	¥ —
Other equity securities	14,833	88,582	73,749	—	16,242	80,813	64,572	1
	¥ 34,850	¥ 137,017	¥102,167	¥ —	¥ 37,650	¥ 135,983	¥ 98,334	¥ 1

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

(¥ in millions)

	2016				2015			
	Less than 12 months		12 months or longer		Less than 12 months		12 months or longer	
	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses
At December 31:								
Available-for-sale securities:								
Equity securities of financial institutions	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Other equity securities	—	—	—	—	81	1	—	—
	¥ —	¥ —	¥ —	¥ —	¥ 81	¥ 1	¥ —	¥ —

For the year ended December 31, 2016, valuation losses on other investments were recognized to reflect the decline in fair value considered to be other-than-temporary totaling ¥20 million. For the nine months ended December 31, 2015 and the year ended March 31, 2015, there were no valuation losses on other investments recognized to reflect the decline in fair value considered to be other-than-temporary.

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

(¥ in millions)

	Year ended December 31, 2016	Nine months ended December 31, 2015	Year ended March 31, 2015
Proceeds from sales of available-for-sale securities	¥ 9,560	¥ 2,242	¥ 2,246
Gross realized gains	6,826	1,558	1,366
Gross realized losses	—	—	—

Investments in nonmarketable equity securities of ¥3,650 million and ¥3,653 million were recorded in other investments on the consolidated balance sheets at December 31, 2016 and 2015, 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 year ended December 31, 2016, nine months ended December 31, 2015, and year ended March 31, 2015.

5. SALES FINANCING RECEIVABLES AND OTHER LOAN RECEIVABLES

Sales Financing Receivables

The Company classifies sales financing receivables into the following three types:

(1) Retail finance receivables

The Company provides retail finance to customers who purchase the Company's farm equipment 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 in the aggregate of lease payments receivable plus the estimated residual value of the leased property, less unearned income and allowance for credit losses. There was no unguaranteed residual value

related to finance leases at December 31, 2016.

(3) Long-term trade accounts receivable

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

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

Finance receivables—net are comprised of the following:

(¥ in millions)

At December 31:	2016	2015
Retail finance receivables	¥ 590,193	¥ 535,153
Less: Allowance for credit losses	(1,023)	(692)
Retail—net	589,170	534,461
Finance lease receivables	219,418	228,537
Less: Unearned income	(34,592)	(37,513)
Less: Allowance for credit losses	(21,523)	(18,945)
Finance leases—net	163,303	172,079
Total finance receivables—net	752,473	706,540
Less: Current portion	(244,184)	(224,058)
Long-term finance receivables—net	¥ 508,289	¥ 482,482

Long-term trade accounts receivable—net is comprised of the following:

(¥ in millions)

At December 31:	2016	2015
Long-term trade accounts receivable		
Current	¥ 29,678	¥ 32,101
Non-current	39,852	36,758
Total long-term trade accounts receivable	69,530	68,859
Less: Allowance for doubtful accounts	(356)	(340)
Long-term trade accounts receivable—net	¥ 69,174	¥ 68,519

The following table presents the annual maturities of retail finance receivables, long-term trade accounts receivable, and future minimum lease payments on finance leases:

(¥ in millions)

Years ending December 31:	Retail finance receivables	Finance lease Receivables	Long-term trade accounts receivable
2017	¥ 195,545	¥ 72,400	¥ 29,678
2018	174,435	52,725	16,768
2019	127,429	41,203	10,036
2020	71,216	29,397	6,642
2021	14,538	16,716	3,657
2022 and thereafter	7,030	6,977	2,749
Total	¥ 590,193	¥ 219,418	¥ 69,530

The Company includes finance income and expenses in revenue and cost of revenues in the consolidated statements of income.

The following table presents the amounts of finance income and expenses included in revenues and cost of revenues:

(¥ in millions)

	Year ended December 31, 2016	Nine months ended December 31, 2015	Year ended March 31, 2015
Finance income	¥ 38,564	¥ 30,682	¥ 35,123
Finance expenses	9,924	7,537	8,733

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 date 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 type of receivables, region, and credit quality indicator:

(¥ in millions)

At December 31:	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
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
2015:					
Rank A	¥ 492,952	¥ 16,736	¥ 8,157	¥ 155,946	¥ 67,690
Rank B	25,345	—	80	26,841	1,120
Rank C	94	26	—	—	49
Total	¥ 518,391	¥ 16,762	¥ 8,237	¥ 182,787	¥ 68,859

(Aging)

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

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

(¥ in millions)

At December 31:		Up to	31-60 days	61-90 days	Greater than	Total	Current	Total
Type of receivables	Region	30 days past due	past due	past due	90 days past due	past due		
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
2015:								
Retail finance receivables	North America	¥ 22,857	¥ 1,421	¥ 446	¥ 715	¥ 25,439	¥ 492,952	¥ 518,391
Retail finance receivables	Other areas	—	26	—	—	26	16,736	16,762
Finance lease receivables	Japan	2	1	9	54	66	8,171	8,237
Finance lease receivables	Asia outside Japan	7,561	3,356	2,074	13,701	26,692	156,095	182,787
Long-term trade accounts receivable	Japan	37	11	111	767	926	67,933	68,859
Total		¥ 30,457	¥ 4,815	¥ 2,640	¥ 15,237	¥ 53,149	¥ 741,887	¥ 795,036

(Nonaccrual)

Retail finance receivables in North America are placed on nonaccrual status at the earlier of when the contractual principal and interest are determined to be uncollectible or when these receivables become greater than 90 days past the contractual due date. For these receivables on the nonaccrual status, interest income is subsequently recognized only to the extent a cash payment is received. These receivables are restored to accrual status as of the date the principal and interest become 90 days or less past the contractual due date. Nonaccrual retail finance receivables at December 31, 2016 and 2015 amounted to ¥943 million and ¥715 million, respectively.

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

(Troubled Debt Restructuring and Impaired Loans)

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

Loan Receivables from Affiliated Companies

The Company finances loans to affiliated companies mainly through group financing and records such loan receivables from affiliated companies at the principal on the consolidated balance sheets. The amounts of these loan receivables from affiliated companies were ¥6,105 million and ¥7,607 million at December 31, 2016 and 2015, respectively, and such amounts are recorded in other current assets and investments in and loan receivables from affiliated companies on the consolidated balance sheets. These loans are financings provided to the affiliated companies which sell farm equipment products in Japan, and historically both the principal and interest have been fully collected by the contractual due date. The Company reviews the credit quality of these loan receivables based on relevant information about the ability of borrowers to repay their debt. Since no negative factors in the borrowers' financial condition or collection status of

receivables have been identified for the year ended December 31, 2016, the nine months ended December 31, 2015, and the year ended March 31, 2015, these loan receivables are expected to be fully collectible by the Company. The credit risk of these loan receivables is primarily developed from the borrowers' business environment such as market demand of farm equipment products (See Note 3. AFFILIATED COMPANIES AND VARIABLE INTEREST ENTITIES).

Other Receivables

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

6. 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 type 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. Loan receivables from affiliated companies are individually evaluated based on the relevant information, such as historical credit loss experience and economic trends and conditions.

When amounts due are determined to be uncollectible or the related collateral is repossessed, receivables and the related allowance are charged off. Repossessed assets are recorded at their estimated fair value less costs to sell and reported in other current assets on the consolidated balance sheets, which amounted to ¥528 million and ¥389 million at December 31, 2016 and 2015, respectively. Recovery on receivables previously charged off as uncollectible are credited to the allowance for doubtful accounts and credit losses.

The following table presents the changes in allowance for doubtful accounts and credit losses:

(¥ in millions)

	Year ended December 31, 2016	Nine months ended December 31, 2015	Year ended March 31, 2015
Allowance for doubtful notes and accounts receivable:			
Balance at beginning of period	¥ 3,216	¥ 4,042	¥ 3,184
Provision (Reversal)	(638)	(766)	1,195
Charge-offs	(83)	(110)	(435)
Other	(23)	50	98
Balance at end of period	¥ 2,472	¥ 3,216	¥ 4,042
Allowance for doubtful non-current receivables:			
Balance at beginning of period	¥ 799	¥ 550	¥ 578
Provision (Reversal)	(15)	266	(15)
Charge-offs	(15)	(2)	(11)
Other	(6)	(15)	(2)
Balance at end of period	¥ 763	¥ 799	¥ 550
Allowance for credit losses on finance receivables:			
Balance at beginning of period	¥ 19,637	¥ 17,555	¥ 11,232
Provision	5,650	5,477	6,096
Charge-offs	(2,363)	(1,565)	(2,014)
Other	(378)	(1,830)	2,241
Balance at end of period	¥ 22,546	¥ 19,637	¥ 17,555

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 year ended December 31, 2016:	Retail finance receivables	Finance lease receivables	Long-term trade accounts receivable	Total
Balance at beginning of year	¥ 692	¥ 18,945	¥ 340	¥ 19,977
Provision (Reversal)	991	4,659	16	5,666
Charge-offs	(711)	(1,652)	—	(2,363)
Recoveries	29	—	—	29
Other	22	(429)	—	(407)
Balance at end of year	¥ 1,023	¥ 21,523	¥ 356	¥ 22,902
Individually evaluated for impairment	128	—	34	162
Collectively evaluated for impairment	895	21,523	322	22,740
Recorded Investment at December 31, 2016:				
Balance at end of year	¥ 590,193	¥ 184,826	¥ 69,530	¥ 844,549
Individually evaluated for impairment	128	—	34	162
Collectively evaluated for impairment	590,065	184,826	69,496	844,387
Allowance for doubtful accounts and credit losses for nine months ended December 31, 2015:				
Balance at beginning of period	¥ 608	¥ 16,947	¥ 369	¥ 17,924
Provision (Reversal)	804	4,673	(29)	5,448
Charge-offs	(720)	(845)	—	(1,565)
Recoveries	5	—	—	5
Other	(5)	(1,830)	—	(1,835)
Balance at end of period	¥ 692	¥ 18,945	¥ 340	¥ 19,977
Individually evaluated for impairment	120	—	49	169
Collectively evaluated for impairment	572	18,945	291	19,808
Recorded Investment at December 31, 2015:				
Balance at end of period	¥ 535,153	¥ 191,024	¥ 68,859	¥ 795,036
Individually evaluated for impairment	120	—	49	169
Collectively evaluated for impairment	535,033	191,024	68,810	794,867

Long-term trade accounts receivable in the table include the current portion, which is included in trade accounts receivable on the consolidated balance sheets.

There was no related allowance for loan receivables from affiliated companies for the year ended December 31, 2016, the nine months ended December 31, 2015, and the year ended March 31, 2015.

7. 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., 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 year ended December 31, 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 year ended December 31, 2016, were not material.

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

8. GOODWILL AND INTANGIBLE ASSETS

The following table presents the components of intangible assets subject to amortization:

(¥ in millions)

At December 31:	2016			2015		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Software	¥ 31,285	¥ (18,541)	¥ 12,744	¥ 29,079	¥ (15,892)	¥ 13,187
Customer relationships	12,140	(3,305)	8,835	7,800	(2,769)	5,031
Technological know-how	8,495	(3,196)	5,299	3,713	(2,331)	1,382
Trademark rights	9,793	(1,463)	8,330	2,282	(1,133)	1,149
Others	7,366	(4,008)	3,358	6,904	(3,939)	2,965
Total	¥ 69,079	¥ (30,513)	¥ 38,566	¥ 49,778	¥ (26,064)	¥ 23,714

Intangible assets subject to amortization acquired for the year ended December 31, 2016 were ¥20,749 million, and mainly consisted of intangible assets acquired from the acquisition of GP (See Note 7. BUSINESS COMBINATION) and software of ¥4,902 million. Intangible assets subject to amortization acquired for the nine months ended December 31, 2015 were ¥3,619 million and mainly consisted of software of ¥2,657 million.

The amortization periods for the acquired software for the year ended December 31, 2016 and the nine months ended December 31, 2015 are both mainly five years.

The amounts of intangible assets not subject to amortization were not material at December 31, 2016 and 2015.

The aggregate amortization expenses of intangible assets subject to amortization for the year ended December 31, 2016, the nine months ended December 31, 2015 and the year ended March 31, 2015 were ¥6,403 million, ¥4,693 million, and ¥5,750 million, respectively.

The following table presents the estimated aggregate amortization expenses for intangible assets for each of the next five years:

(¥ in millions)

Years ending December 31:	
2017	¥ 7,168
2018	6,431
2019	5,460
2020	4,399
2021	3,601

Goodwill is allocated to the reporting unit in which the business that created such goodwill resides, and all of the Company's goodwill resides in the Farm & Industrial Machinery segment. The carrying amounts of goodwill in the Farm & Industrial Machinery segment were ¥7,290 million, ¥5,511 million, and ¥5,713 million at December 31, 2016 and 2015, and March 31, 2015, respectively.

The changes in the carrying amount of goodwill in the Farm & Industrial Machinery segment for the year ended December 31, 2016 were a result of the GP acquisition (See Note 7. BUSINESS COMBINATION) and fluctuation in exchange rates. The changes in the carrying amount of goodwill in the Farm & Industrial Machinery segment for the nine months ended December 31, 2015, and the year ended March 31, 2015 were a result of fluctuation in exchange rates.

Accumulated impairment losses on goodwill were not recorded as of December 31, 2016 and 2015.

9. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings were comprised of notes payable to banks of ¥193,883 million at December 31, 2016, and notes payable to banks of ¥174,216 million and commercial paper of ¥12,000 million at December 31, 2015.

Stated annual interest rates on short-term borrowings ranged primarily from 0.03% to 10.75% and from 0.06% to 11.90% at December 31, 2016 and 2015, respectively. The weighted-average interest rates on such short-term borrowings at December 31, 2016 and 2015 were 1.10% and 0.98%, respectively.

Available committed line of credit with five banks totaled ¥20,000 million both at December 31, 2016 and 2015.

The terms of committed line of credit are one year. The Company had no outstanding borrowings as of December 31, 2016 and 2015 related to committed line of credit.

Long-term debt is comprised of the following:

(¥ in millions)

At December 31:	Due in years ending December 31	2016	2015
Unsecured bonds (interest rate):			
U.S. dollar notes (floating rate 1.10%)	2017	¥ 5,832	¥ 6,049
Yen notes (fixed rate 0.30%)	2018	19,986	19,972
Yen notes (fixed rate 0.51%)	2020	19,963	19,952
Loans, principally from banks and insurance companies, maturing on various dates through 2023:			
Secured		143,598	115,037
Unsecured		432,097	418,773
Capital lease obligations		2,630	2,704
Total		624,106	582,487
Less: Current portion		(145,212)	(158,117)
		¥ 478,894	¥ 424,370

Both fixed and floating rates were included in the interest rates of the long-term loans from banks and insurance companies. The weighted-average rates at December 31, 2016 and 2015 were 1.40% and 1.45%, respectively.

The following table presents the annual maturities of long-term debt at December 31, 2016.

(¥ in millions)

Years ending December 31:	
2017	¥ 145,212
2018	173,746
2019	133,252
2020	86,269
2021	53,655
2022 and thereafter	31,972
Total	¥ 624,106

Pledged assets are comprised of the following:

(¥ in millions)

At December 31:	2016	2015
Trade accounts	¥ 327	¥ 349
Short-term finance receivables ^{*1}	60,361	46,869
Other current assets ^{*2}	9,277	4,814
Long-term finance receivables ^{*1}	104,928	84,644
Property, plant, and equipment	1,819	2,047
Total	¥ 176,712	¥ 138,723

*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)

At December 31:	2016	2015
Short-term borrowings	¥ 578	¥ 611
Current portion of long-term debt	51,112	40,483
Long-term debt	92,486	74,554
Total	¥ 144,176	¥ 115,648

Both short-term and long-term bank loans are made under general agreements which provide that security and guarantees for future indebtedness will be given upon request from the bank, and that the bank has the right to offset cash deposits against obligations that have become due or, in the event of default, against all obligations due to the bank. Long-term agreements with lenders other than banks also generally provide that the Company must give additional security upon request from the lender.

There are restrictive covenants related to the borrowings including negative pledges, a rating trigger and minimum net worth. The rating trigger requires that the Company shall keep or be higher than the “BBB—” rating by Rating and Investment Information, Inc. The minimum net worth covenant requires that total equity shall be maintained at more than ¥825.6 billion on a consolidated financial statement basis and more than ¥391.1 billion on a separate financial statement basis of the Parent Company. The Company was in compliance with these restrictive covenants at December 31, 2016.

10. RETIREMENT AND PENSION PLANS

The Parent Company and most subsidiaries mainly in Japan have defined benefit pension plans and/or severance indemnity plans covering substantially all of their employees. In the Parent Company and certain subsidiaries, employees who terminate their employment have the option to receive benefits in the form of a lump-sum payment or annuity payments from defined benefit pension plans. The benefits are mainly calculated based on accumulated “points” under the point-based benefits system. The “points” consist of “service period points,” which are attributed to the length of service, “job title points,” which are attributed to the job title of each employee, and “performance points,” which are attributed to the annual performance evaluation of each employee.

Certain subsidiaries have defined contribution pension plans covering most of their employees.

Funded Status

The following table presents the funded status and the amounts recognized in the consolidated balance sheets:

(¥ in millions)

At December 31:	2016	2015
Funded status:		
Benefit obligations	¥ 214,323	¥ 205,570
Fair value of plan assets	207,141	207,009
Funded status-net	¥ (7,182)	¥ 1,439
Amounts recognized in the consolidated balance sheets:		
Accrued retirement and pension costs	¥ (12,091)	¥ (12,148)
Prepaid expenses for benefit plans, included in other assets—other	4,909	13,587
Amounts recognized in the consolidated balance sheets-net	¥ (7,182)	¥ 1,439

The following table presents the amounts recognized in accumulated other comprehensive income, before tax:

(¥ in millions)

At December 31:	2016	2015
Prior service costs	¥ (391)	¥ (48)
Actuarial losses	(36,725)	(25,605)
Total recognized in accumulated other comprehensive loss, before tax	¥ (37,116)	¥ (25,653)

The following table presents the projected benefit obligations and the fair value of plan assets for the pension plans with projected benefit obligations in excess of plan assets, and the accumulated benefit obligations and the fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets:

(¥ in millions)

At December 31:	2016	2015
Plans with projected benefit obligations in excess of plan assets:		
Projected benefit obligations	¥ 30,611	¥ 26,690
Fair value of plan assets	18,987	14,922
Plans with accumulated benefit obligations in excess of plan assets:		
Accumulated benefit obligations	¥ 22,033	¥ 21,255
Fair value of plan assets	12,340	11,240

Benefit Obligations

The following table presents the changes in benefit obligations, the balances of accumulated benefit obligations, and the weighted-average assumptions used in calculating benefit obligations:

(¥ in millions)

	Year ended December 31, 2016	Nine months ended December 31, 2015
Change in benefit obligations:		
Benefit obligations at beginning of period	¥ 205,570	¥ 199,727
Service costs	8,980	6,292
Interest costs	2,389	1,935
Actuarial losses	10,221	7,975
Benefits paid (lump-sum payments)	(7,461)	(5,630)
Benefits paid (annuity payments)	(4,603)	(3,830)
Deductions from sales of businesses	(15)	(107)
Foreign currency exchange rate changes	(758)	(792)
Benefit obligations at end of period	¥ 214,323	¥ 205,570
Accumulated benefit obligations at end of period	¥ 210,791	¥ 201,913
Weighted-average assumptions used in calculating benefit obligation^{*1}:		
Discount rate	0.9%	1.2%

*1 The rate of compensation increase is not used in the calculations of benefit obligations under the point-based benefits system.

Plan Assets

The following table presents the changes in plan assets:

(¥ in millions)

	Year ended December 31, 2016	Nine months ended December 31, 2015
Fair value of plan assets at beginning of period	¥ 207,009	¥ 204,567
Actual return on plan assets	3,651	1,969
Employer contributions	5,879	8,417
Benefits paid (lump-sum payments)	(4,407)	(3,619)
Benefits paid (annuity payments)	(4,603)	(3,830)
Foreign currency exchange rate changes	(388)	(495)
Fair value of plan assets at end of period	¥ 207,141	¥ 207,009

The Company's policy and objective for plan asset management are to maximize returns on plan assets to meet future benefit payment requirements under risks which the Company considers permissible. To mitigate any potential concentration risk, careful consideration is given to balancing the portfolio among industry sectors, companies and geographies, taking into account interest rate sensitivity, dependence on economic growth, currency and other factors that affect investment returns. The Company's target allocation is 36% of equity securities and foreign debt securities subject to foreign currency exchange rate risks and 64% of other investment vehicles, mainly consisting of Japanese debt securities, foreign debt securities not subject to foreign currency exchange rate risks, cash, short-term investments, and the general accounts of insurance companies.

A large portion of the plan assets is managed by trust banks and investment advisors. Those fund managers are bound by the Company's plan asset management guidelines, which are established to achieve the optimized asset compositions in terms of the long-term overall plan asset management, and the fund managers' performance are measured against specific benchmarks.

To measure the performance of the plan asset management, the Company establishes benchmark return rates for each individual investment, combines these individual benchmark rates based on the asset composition ratios within each asset category, and compares the combined rates with the corresponding actual return rates on each asset category.

The following table presents the fair value of plan assets by category:

(¥ in millions)

At December 31:	Level 1	Level 2	Level 3	Total
2016:				
Assets evaluated by other than net asset value per share:				
Financial institutions (Japanese equity securities)	¥ 8,880	¥ —	¥ —	¥ 8,880
Other industries (Japanese equity securities)	8,127	—	—	8,127
Cash and short-term investments	505	1,581	—	2,086
General accounts of insurance companies	—	25,995	—	25,995
Assets evaluated by net asset value per share ^{*1} :				
Pooled funds (Japanese equity securities) ^{*2}	—	—	—	25,313
Pooled funds (foreign equity securities) ^{*2}	—	—	—	32,061
Pooled funds (Japanese debt securities) ^{*3}	—	—	—	84,834
Pooled funds (foreign debt securities not subject to foreign currency exchange rate risks) ^{*3}	—	—	—	14,259
Pooled funds (foreign debt securities subject to foreign currency exchange rate risks) ^{*3}	—	—	—	5,514
Other assets ^{*4}	—	—	—	72
Fair value of plan assets	¥ 17,512	¥ 27,576	¥ —	¥ 207,141
2015:				
Assets evaluated by other than net asset value per share:				
Financial institutions (Japanese equity securities)	¥ 9,677	¥ —	¥ —	¥ 9,677
Other industries (Japanese equity securities)	6,825	—	—	6,825
Cash and short-term investments	527	2,217	—	2,744
General accounts of insurance companies	—	25,554	—	25,554
Assets evaluated by net asset value per share ^{*1} :				
Pooled funds (Japanese equity securities) ^{*2}	—	—	—	20,333
Pooled funds (foreign equity securities) ^{*2}	—	—	—	31,473
Pooled funds (Japanese debt securities) ^{*3}	—	—	—	89,552
Pooled funds (foreign debt securities not subject to foreign currency exchange rate risks) ^{*3}	—	—	—	—
Pooled funds (foreign debt securities subject to foreign currency exchange rate risks) ^{*3}	—	—	—	20,379
Other assets ^{*4}	—	—	—	472
Fair value of plan assets	¥ 17,029	¥ 27,771	¥ —	¥ 207,009

*1 Certain assets evaluated by net asset value per share (or its equivalent) are not categorized in the fair value hierarchy. Total amounts in the above table are presented to reconcile the amounts in the fair value hierarchy to the amounts stated on the consolidated balance sheets.

*2 These funds are invested in listed equity securities.

*3 These funds are mainly invested in government bonds.

*4 This class includes the pooled funds invested in private equity.

Plan assets are categorized by level based on the inputs used to measure the fair value of each asset.

The equity securities of financial institutions and other industries are valued at the closing price reported on the stock exchange on which the individual securities are traded. Pooled funds are typically valued using the net asset value per share (“NAV”) provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus liabilities and divided by the number of shares outstanding. The general accounts of insurance companies are valued at funded amounts, which consist of the principal and unearned interests based on contracts. Cash and short-term investments are valued at their cost plus imputed interest. These assets were classified as Level 1 or Level 2, depending on the availability of quoted market prices.

Net Periodic Benefit Costs

The following table presents the components of the total net periodic benefit cost for the defined benefit pension plans and the severance indemnity plans:

(¥ in millions)

	Year ended December 31, 2016	Nine months ended December 31, 2015	Year ended March 31, 2015
Net periodic benefit costs:			
Service costs	¥ 8,980	¥ 6,292	¥ 7,142
Interest costs	2,389	1,935	3,044
Expected return on plan assets	(4,788)	(3,658)	(4,235)
Amortization of prior service benefits	(343)	(257)	(343)
Amortization of actuarial losses	191	363	396
Total	¥ 6,429	¥ 4,675	¥ 6,004
Weighted-average assumptions used in calculating net periodic benefit costs^{*1}:			
Expected long-term rate of return on plan assets	2.4%	2.4%	2.5%
Discount rate	1.2%	1.3%	1.7%

^{*1} The rate of compensation increase is not used in the calculations of net periodic benefit cost under the point-based benefits system.

The expected long-term rate of return on plan assets is determined after considering several applicable factors including the composition of plan assets held, assumed risks of asset management, historical results of the returns on plan assets, the Company's principal policy for plan asset management, and forecasted market conditions.

The following table presents the amounts recognized in other comprehensive income (loss), before tax, and the reclassification adjustments realized in net income, before tax:

(¥ in millions)

	Year ended December 31, 2016	Nine months ended December 31, 2015	Year ended March 31, 2015
Amounts recognized in other comprehensive income (loss):			
Actuarial (losses) gains recognized in other comprehensive income (loss)	¥ (11,428)	¥ (10,343)	¥ 6,292
Reclassification adjustments realized in net income:			
Prior service benefits realized in net income	(343)	(257)	(343)
Actuarial losses realized in net income	191	363	396
Net recognized in other comprehensive income (loss), before tax	¥ (11,580)	¥ (10,237)	¥ 6,345

The following table presents the estimated prior service costs and actuarial losses that will be amortized from accumulated other comprehensive income into net periodic benefit costs for the year ending December 31, 2017:

(¥ in millions)

Prior service costs	¥ 39
Actuarial losses	881

Expected Cash Flows

The Company estimates contributions to its defined benefit pension plans for the year ending December 31, 2017 to be approximately ¥6,500 million.

The following table presents the total expected benefit payments to the participants of the defined benefit pension plans and the severance indemnity plans:

(¥ in millions)

Years ending December 31:	
2017	¥ 11,049
2018	10,430
2019	9,407
2020	9,194
2021	10,052
2022-2026	48,910

Defined Contribution Pension Plans

Costs recognized for defined contribution pension plans for the year ended December 31, 2016, the nine months ended December 31, 2015, and the year ended March 31, 2015 were ¥1,476 million, ¥1,304 million, and ¥1,429 million, respectively.

11. REVENUE RECOGNITION FOR LONG-TERM CONTRACTS

Long-term contracts accepted by the Company consist mainly of construction works with the Japanese national government and local governments, such as construction of environmental control plants and facilities for water supply. These contracts are generally completed within two to three years.

The contracts, which are fully executed before the commencement of construction projects, include the terms of the contract price, expected completion date and critical milestone dates, and acceptance inspections (e.g., performance tests and external appearance inspections). The contracts are legally enforceable, and the parties are expected to perform their obligations under the contracts. The Company is able to develop reasonably dependable estimates of the total contract cost based on the construction order that includes details on every single component unit, labor hour costs, and all overhead. Further, the Company believes that it is able to develop reasonably dependable estimates of the extent of progress towards completion of individual contracts and, therefore, the long-term contracts are accounted for using the percentage-of-completion method. Concerning the method of measuring the extent of progress toward completion, the Company uses the cost-to-cost method. In most cases, the Company's contracts with customers include the delivery and installation of component units.

In the situation where an option or an addition which has separate content from an existing contract has occurred, it is treated as a separate contract. Otherwise, it is combined with the original contract. Additional contract revenue arising from any claims for customer-caused overruns or delays is recognized when the contract modification is approved by the customer. Any revisions in revenue, cost, and profit estimates or in measurements of the extent of progress toward completion are accounted for in the consolidated statements of income in the fiscal year in which those revisions are determined. A disclosure is made of the effect of such revisions in the financial statements, if significant.

The following table details notes and accounts receivable related to the long-term contracts accounted for under the percentage-of-completion method, by maturities:

(¥ in millions)

	2016			2015		
	Less than 1 year	1-2 years	Over 2 years	Less than 1 year	1-2 years	Over 2 years
At December 31:						
Trade notes	¥ 513	¥ —	¥ —	¥ 412	¥ —	¥ —
Trade accounts	17,639	1,402	158	17,938	1,470	12
	¥ 18,152	¥ 1,402	¥ 158	¥ 18,350	¥ 1,470	¥ 12

A large portion of such receivables has already been billed to customers. The total aggregated amounts which had not been billed or were not billable were not material at December 31, 2016 and 2015. The total aggregated amounts subject to uncertainty were not material.

With respect to the inventories related to the long-term contracts, the aggregated amounts of manufacturing or production costs which exceed the aggregated estimate costs of all in-process, the total aggregated amounts subject to uncertainty, and advances received offset against inventories were not material at December 31, 2016 and 2015.

12. INCOME TAXES

Income before income taxes and equity in net income of affiliated companies and income taxes are comprised of the following:

(¥ in millions)

	Year ended December 31, 2016	Nine months ended December 31, 2015	Year ended March 31, 2015
Income before income taxes and equity in net income of affiliated companies:			
Domestic	¥ 83,926	¥ 65,093	¥ 104,653
Foreign	113,045	104,411	106,056
Total	¥ 196,971	¥ 169,504	¥ 210,709
Income taxes:			
Current—			
Domestic	¥ 24,999	¥ 14,209	¥ 29,606
Foreign	31,115	33,405	34,758
	56,114	47,614	64,364
Deferred—			
Domestic	2,748	9,720	3,758
Foreign	(2,316)	(3,073)	(6,972)
	432	6,647	(3,214)
Total	¥ 56,546	¥ 54,261	¥ 61,150

A reconciliation of the differences between the Japanese statutory tax rate and the effective tax rate is as follows:

	Year ended December 31, 2016	Nine months ended December 31, 2015	Year ended March 31, 2015
Normal Japanese statutory tax rates applied to income before income taxes and equity in net income of affiliated companies	33.0%	33.0%	35.6%
Increase (decrease) in taxes resulting from:			
Increase in valuation allowance	0.1	0.2	0.2
Permanently nondeductible expenses	0.4	0.7	0.3
Nontaxable dividend income	(0.4)	(0.2)	(0.4)
Extra tax deduction on expenses for research and development	(2.1)	(2.6)	(2.9)
Difference in statutory tax rates of foreign subsidiaries	(0.7)	2.1	0.6
Revision of tax rate	(0.5)	—	(1.5)
Other—net	(1.1)	(1.2)	(2.9)
Effective income tax rates applied to income before income taxes and equity in net income of affiliated companies	28.7%	32.0%	29.0%

Deferred tax assets and liabilities are included in the consolidated balance sheets as follows:

(¥ in millions)

At December 31:	2016	2015
Other current assets	¥ 46,798	¥ 45,828
Other assets—Other	14,464	16,224
Other current liabilities	(160)	(45)
Other long-term liabilities	(49,698)	(51,632)
Net deferred tax assets	¥ 11,404	¥ 10,375

The significant components of deferred tax assets and liabilities are as follows:

(¥ in millions)

At December 31:	2016		2015	
Deferred tax assets:				
Allowance for doubtful accounts and credit losses	¥	5,604	¥	5,445
Intercompany profits		10,183		12,698
Adjustment of investment securities		5,361		5,917
Write-downs of inventories and fixed assets		2,424		2,688
Accrued bonus		3,475		3,572
Retirement and pension costs		9,040		6,683
Accrued expenses		10,514		11,660
Tax loss and credit carryforwards		7,596		6,024
Other temporary differences		43,316		28,700
Gross deferred tax assets		97,513		83,387
Less: Valuation allowance		(6,334)		(6,787)
Net deferred tax assets	¥	91,179	¥	76,600
Deferred tax liabilities:				
Adjustment of investment securities	¥	30,487	¥	31,131
Unremitted earnings of foreign subsidiaries and affiliates		24,196		23,404
Other temporary differences		25,092		11,690
Gross deferred tax liabilities	¥	79,775	¥	66,225

Since the revision of the tax law was approved by the Diet on March 29, 2016, the statutory tax rate used in the calculation of deferred tax assets and deferred tax liabilities decreased from 32.2% to 30.8% for deferred tax assets and liabilities to be realized or settled between January 1, 2017 and December 31, 2018 and from 32.2% to 30.6% for those after January 1, 2019. The revision resulted in an increase of net deferred tax assets and a decrease of income taxes-deferred by ¥927 million.

Due to the revision of the tax law in the year ended March 31, 2015, the statutory tax rate used in the calculation of deferred tax assets and deferred tax liabilities decreased from 35.6% to 33.0% for deferred tax assets and liabilities to be realized or settled between April 1, 2015 and December 31, 2016 and to 32.2% for those after January 1, 2017. The revision resulted in a decrease of net deferred tax assets and a decrease of income taxes-deferred by ¥3,125 million.

Deferrals of income taxes relating to intercompany profits of ¥10,183 million and ¥12,698 million at December 31, 2016 and 2015, respectively, included in the above table are accounted for in accordance with ASC 810, "Consolidation." The movement of ¥(2,515) million, ¥(2,975) million, and ¥1,414 million for the year ended December 31, 2016, the nine months ended December 31, 2015, and year ended March 31, 2015, respectively, in such deferral of income taxes is presented as "Income taxes – Deferred" in the consolidated statements of income. The total amounts of deferred tax assets recorded in accordance with ASC 740, "Income Taxes," were ¥80,996 million and ¥63,902 million at December 31, 2016 and 2015, respectively.

Deferred tax liabilities have been recorded for unremitted earnings of all foreign subsidiaries and affiliates since their earnings are not considered to be permanently reinvested. Substantially all of the undistributed earnings of domestic subsidiaries and affiliates would not, under the present Japanese tax law, be subject to tax through tax-free distributions.

The following table presents the reconciliation of the beginning and ending balances of the valuation allowance:

(¥ in millions)

	Year ended December 31, 2016	Nine months ended December 31, 2015	Year ended March 31, 2015
Balance at beginning of period	¥ 6,787	¥ 6,536	¥ 6,388
Addition	415	1,156	839
Deduction	(536)	(958)	(306)
Foreign currency exchange rate changes	(332)	53	(385)
Balance at end of period	¥ 6,334	¥ 6,787	¥ 6,536

Based upon the level of historical taxable income and projections for future taxable income over the periods in which the net deductible temporary differences are expected to reverse and/or the tax losses and credits are carried forward, management believes it is more likely than not that the Company will realize the benefits of these deferred tax assets, net of the existing valuation allowances at December 31, 2016.

At December 31, 2016, the tax loss carryforwards which are available to offset future taxable income in the aggregate amounted to ¥29,112 million, ¥8,577 million of which will expire in the period from 2017 through 2023, while ¥20,535 million of which has no limitation.

The following table presents the reconciliation of unrecognized tax benefits:

(¥ in millions)

	Year ended December 31, 2016	Nine months ended December 31, 2015	Year ended March 31, 2015
Balance at beginning of period	¥ 61	¥ 2,131	¥ 2,191
Gross increase for tax positions taken in prior years	2	3	14
Gross decrease for tax positions taken in prior years	—	—	—
Settlements	—	(2,074)	(88)
Lapse of statute of limitations	—	—	—
Other	(2)	1	14
Balance at end of period	¥ 61	¥ 61	¥ 2,131

The total amounts of unrecognized tax benefits that would affect the effective tax rate, if recognized, were not material at December 31, 2016 and 2015, and March 31, 2015.

Based on the information available as of December 31, 2016, a change to the unrecognized tax benefits within the next 12 months is not expected to be material.

The Company recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expenses in the consolidated statements of income. Both interest and penalties accrued at December 31, 2016 and 2015, and interest and penalties included in income tax expenses for the year ended December 31, 2016, the nine months ended December 31, 2015, and the year ended March 31, 2015 were not material.

The Company files income tax returns in Japan, the U.S., and various foreign tax jurisdictions, and their open tax years vary across countries. At December 31, 2016, the Company is no longer subject, with limited exception, to regular income tax examinations by the tax authorities for the nine months on or before December 31, 2015 in Japan, and for the years on or before December 31, 2012 in the U.S. While the tax authorities could conduct a transfer pricing examination for the years on and after April 1, 2011, the intercompany transactions between related parties in the U.S. and Japan for the years on or before March 31, 2015 are less likely to be subject to a tax examination since the Advance Pricing Agreement between the U.S. and Japan was concluded.

13. SHAREHOLDERS' EQUITY

Dividends

The Corporate Law of Japan (the "Corporate Law") permits companies to pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution of General Meeting of Shareholders. Semiannual interim dividends may also be paid once a year upon resolution of the Meeting of the Board of Directors if the articles of incorporation of the companies so stipulate. For those companies that meet certain criteria such as (1) having a Board of Directors, (2)

having independent auditors, (3) having an Audit & Supervisory Board, (4) the term of service of the directors is one year rather than two years of normal term, and (5) prescribing that the Board of Directors may declare dividends in its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind). The Company meets all the above criteria.

The Corporate Law also provides certain limitations on the amounts available for dividends. Under the Corporate Law, the amount available for dividends is based on other retained earnings, less treasury stock, as recorded on the books of the Parent Company. At December 31, 2016, other retained earnings, less treasury stock, recorded on the Parent Company's books of account were ¥318,755 million.

Purchase of Treasury Stock

The Corporate Law also allows companies to purchase treasury stock. Companies may purchase treasury stock through market transactions by a resolution at the Meeting of the Board of Directors if companies have prescribed so in their articles of incorporation. The Company meets this condition. The same limitations as those for dividends exist in the amount available for this purchase of treasury stock.

Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as additional paid-in capital or as a legal reserve depending on the equity account charged upon the payment of such dividends until the total of additional paid-in capital and legal reserve equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation of such threshold. The Corporate Law also provides that common stock, capital surplus, legal reserve, and other retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the General Meeting of Shareholders.

Effects of Changes in Ownership Interests in Subsidiaries

The following table presents the effects of changes in Kubota Corporation's ownership interests in its subsidiaries on capital surplus:

(¥ in millions)

	Year ended December 31, 2016	Nine months ended December 31, 2015	Year ended March 31, 2015
Net income attributable to Kubota Corporation	¥ 132,485	¥ 110,107	¥ 139,534
Transfers from (to) non-controlling interests:			
Increase in capital surplus for purchases of non-controlling interests	438	34	41
Decrease in capital surplus for purchases of non-controlling interests	(3,614)	(39)	(924)
Increase in capital surplus for changes in ownership interests in subsidiaries from other transactions	3	1	10
Decrease in capital surplus for changes in ownership interests in subsidiaries from other transactions	(60)	(38)	—
Net transfers from (to) non-controlling interests	(3,233)	(42)	(873)
Change from net income attributable to Kubota Corporation and transfer from (to) non-controlling interests	¥ 129,252	¥ 110,065	¥ 138,661

In March 2016, the Company purchased the remaining non-controlling interest, representing 40%, of Kubota (U.K.) Ltd. for the purpose of its conversion into a wholly-owned subsidiary. In April 2016, the Company purchased the remaining non-controlling interest, representing 30%, of Kubota ChemiX Co., Ltd. for the purpose of its conversion into a wholly-owned subsidiary. In November 2016, the Company purchased the remaining non-controlling interest, representing 20%, of Kubota (Deutschland) GmbH for the purpose of its conversion into a wholly-owned subsidiary.

In March 2015, the Company purchased the remaining non-controlling interest, representing 20%, of Kubota Canada Ltd. for the purpose of its conversion into a wholly-owned subsidiary.

14. OTHER COMPREHENSIVE INCOME (LOSS)

The following table presents the components of other comprehensive income (loss), including reclassification adjustments and tax effects:

(¥ in millions)

	Year ended December 31, 2016			Nine months ended December 31, 2015			Year ended March 31, 2015		
	Before-tax amount	Tax benefit (expense)	Net-of-tax amount	Before-tax amount	Tax benefit (expense)	Net-of-tax amount	Before-tax amount	Tax benefit (expense)	Net-of-tax amount
Foreign currency translation adjustments:									
Foreign currency translation adjustments arising during period	¥ (25,084)	¥ 760	¥ (24,324)	¥ (18,814)	¥ 1,202	¥ (17,612)	¥ 63,659	¥ (2,109)	¥ 61,550
Reclassification adjustment for gains (losses) realized in net income	—	—	—	—	—	—	—	—	—
	(25,084)	760	(24,324)	(18,814)	1,202	(17,612)	63,659	(2,109)	61,550
Unrealized gains (losses) on securities:									
Unrealized gains (losses) on securities arising during period	10,576	(3,429)	7,147	(14,216)	4,586	(9,630)	20,868	(7,386)	13,482
Reclassification adjustment for gains (losses) realized in net income	(6,806)	2,246	(4,560)	(1,559)	514	(1,045)	(1,366)	486	(880)
	3,770	(1,183)	2,587	(15,775)	5,100	(10,675)	19,502	(6,900)	12,602
Unrealized gains on derivatives:									
Unrealized gains (losses) on derivatives arising during period	—	—	—	—	—	—	(33)	12	(21)
Reclassification adjustments for gains (losses) realized in net income	—	—	—	16	(6)	10	49	(17)	32
	—	—	—	16	(6)	10	16	(5)	11
Pension liability adjustments:									
Pension liability adjustments arising during period	(11,428)	3,007	(8,421)	(10,343)	3,326	(7,017)	6,292	(2,922)	3,370
Reclassification adjustment for gains (losses) realized in net income	(152)	44	(108)	106	(4)	102	53	(7)	46
	(11,580)	3,051	(8,529)	(10,237)	3,322	(6,915)	6,345	(2,929)	3,416
Other comprehensive income (loss)	¥ (32,894)	¥ 2,628	¥ (30,266)	¥ (44,810)	¥ 9,618	¥ (35,192)	¥ 89,522	¥ (11,943)	¥ 77,579

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

(¥ in millions)

	Year ended December 31, 2016			Nine months ended December 31, 2015			Year ended March 31, 2015		
	Kubota Corporation	Non- controlling interests	Total	Kubota Corporation	Non- controlling interests	Total	Kubota Corporation	Non- controlling interests	Total
Foreign currency translation adjustments	¥ (23,818)	¥ (506)	¥ (24,324)	¥ (12,648)	¥ (4,964)	¥ (17,612)	¥ 54,856	¥ 6,694	¥ 61,550
Unrealized gains (losses) on securities	2,596	(9)	2,587	(10,528)	(147)	(10,675)	12,614	(12)	12,602
Unrealized gains on derivatives	—	—	—	10	—	10	11	—	11
Pension liability adjustments	(8,543)	14	(8,529)	(6,872)	(43)	(6,915)	3,293	123	3,416
Other comprehensive income (loss)	¥ (29,765)	¥ (501)	¥ (30,266)	¥ (30,038)	¥ (5,154)	¥ (35,192)	¥ 70,774	¥ 6,805	¥ 77,579

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

(¥ in millions)

	Foreign currency translation adjustments	Unrealized gains (losses) on securities	Unrealized gains on derivatives	Pension liability adjustments	Total
Year ended December 31, 2016					
Balance at beginning of year	¥ 50,112	¥ 46,955	¥ —	¥ (17,775)	¥ 79,292
Changes in ownership interests in subsidiaries	(285)	—	—	94	(191)
Other comprehensive income (loss) before reclassification	(23,818)	7,156	—	(8,445)	(25,107)
Reclassification to net income	—	(4,560)	—	(98)	(4,658)
Net change	(24,103)	2,596	—	(8,449)	(29,956)
Balance at end of year	¥ 26,009	¥ 49,551	¥ —	¥ (26,224)	¥ 49,336
Nine months ended December 31, 2015					
Balance at beginning of period	¥ 62,876	¥ 57,483	¥ (10)	¥ (10,903)	¥ 109,446
Changes in ownership interests in subsidiaries	(116)	—	—	—	(116)
Other comprehensive income (loss) before reclassification	(12,648)	(9,483)	—	(6,988)	(29,119)
Reclassification to net income	—	(1,045)	10	116	(919)
Net change	(12,764)	(10,528)	10	(6,872)	(30,154)
Balance at end of period	¥ 50,112	¥ 46,955	¥ —	¥ (17,775)	¥ 79,292
Year ended March 31, 2015					
Balance at beginning of year	¥ 7,814	¥ 44,869	¥ (21)	¥ (14,196)	¥ (38,466)
Changes in ownership interests in subsidiaries	206	—	—	—	206
Other comprehensive income (loss) before reclassification	54,856	13,494	(21)	3,247	71,576
Reclassification to net income	—	(880)	32	46	(802)
Net change	55,062	12,614	11	3,293	70,980
Balance at end of year	¥ 62,876	¥ 57,483	¥ (10)	¥ (10,903)	¥ 109,446

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

(¥ in millions)		
	Amount reclassified from accumulated other comprehensive income	*1 Affected line item in the statement where net income is presented
Year ended December 31, 2016		
Unrealized gains (losses) on securities	¥ (6,826)	Gain on sales of securities—net
	20	Other—net
	2,246	Income taxes
	<u>(4,560)</u>	Net income attributable to Kubota Corporation
Pension liability adjustments	(152)	*2
	44	Income taxes
	<u>(108)</u>	Net income
	10	Net income attributable to non-controlling interests
	<u>(98)</u>	Net income attributable to Kubota Corporation
Total	¥ (4,658)	
Nine months ended December 31, 2015		
Unrealized gains (losses) on securities	¥ (1,559)	Gain on sales of securities—net
	514	Income taxes
	<u>(1,045)</u>	Net income attributable to Kubota Corporation
Unrealized gains on derivatives	16	Interest expense
	(6)	Income taxes
	<u>10</u>	Net income attributable to Kubota Corporation
Pension liability adjustments	106	*2
	(4)	Income taxes
	<u>102</u>	Net income
	14	Net income attributable to non-controlling interests
	<u>116</u>	Net income attributable to Kubota Corporation
Total	¥ (919)	
Year ended March 31, 2015		
Unrealized gains (losses) on securities	¥ (1,366)	Gain on sales of securities—net
	486	Income taxes
	<u>(880)</u>	Net income attributable to Kubota Corporation
Unrealized gains on derivatives	49	Interest expense
	(17)	Income taxes
	<u>32</u>	Net income attributable to Kubota Corporation
Pension liability adjustments	53	*2
	(7)	Income taxes
	46	Net income
	—	Net income attributable to non-controlling interests
	<u>46</u>	Net income attributable to Kubota Corporation
Total	¥ (802)	

*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.)

15. 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, the "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 December 31, 2016 that will be reclassified into earnings within the next 12 months. The ineffective portion of changes in the fair value of derivatives is immediately recorded in earnings.

Derivatives Not Designated as Hedging Instruments

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

Fair Values of Derivative Instruments and Income Effect of Derivative Instruments

The following table presents fair values of derivative instruments:

(¥ in millions)

	Other current assets		Other assets — Other		Other current liabilities		Other long-term liabilities	
	2016	2015	2016	2015	2016	2015	2016	2015
At December 31:								
Derivatives not designated as hedging instruments:								
Foreign exchange contracts	¥ 45	¥ 621	¥ —	¥ —	¥ 5,136	¥ 171	¥ —	¥ —
Cross-currency swap contracts	—	1,327	—	—	—	—	—	—
Interest rate swap contracts	—	—	—	—	9	42	—	—
Cross-currency interest rate swap contracts	4,870	4,706	2,094	3,999	9	—	25	—
Total derivatives not designated as hedging instruments	¥ 4,915	¥ 6,654	¥ 2,094	¥ 3,999	¥ 5,154	¥ 213	¥ 25	¥ —
Total	¥ 4,915	¥ 6,654	¥ 2,094	¥ 3,999	¥ 5,154	¥ 213	¥ 25	¥ —

The following table presents income effects of derivative instruments:

(¥ in millions)

	Gain (loss) recognized in other comprehensive income (loss) and realized in net income, before tax	
	Effective portion recognized in other comprehensive income (loss)	Effective portion reclassified from accumulated other comprehensive income to net income
Derivative instruments in cash flow hedges		
Year ended December 31, 2016:		
Total	¥ —	¥ —
Nine months ended December 31, 2015:		
Interest rate swap contracts	¥ — Interest expense	¥ (16)
Total	¥ —	¥ (16)
Year ended March 31, 2015:		
Interest rate swap contracts	¥ (33) Interest expense	¥ (49)
Total	¥ (33)	¥ (49)

(¥ in millions)

Derivative instruments not designated as hedging instruments	Gain (Loss) recognized in net Income, before tax	
	Consolidated statements of income line item	Gain (loss) recognized in net income, before tax
Year ended December 31, 2016:		
Foreign exchange contracts	Foreign exchange gain (loss)—net	¥ 281
Cross-currency swap contracts	Foreign exchange gain (loss)—net	(248)
Interest rate swap contracts	Other—net	(24)
Cross-currency interest rate swap contracts	Other—net	(1,165)
Total		¥ (1,156)
Nine months ended December 31, 2015:		
Foreign exchange contracts	Foreign exchange gain (loss)—net	¥ (1,526)
Cross-currency swap contracts	Foreign exchange gain (loss)—net	673
Interest rate swap contracts	Other—net	(52)
Cross-currency interest rate swap contracts	Other—net	7,640
Total		¥ 6,735
Year ended March 31, 2015:		
Foreign exchange contracts	Foreign exchange gain (loss)—net	¥ (7,760)
Cross-currency swap contracts	Foreign exchange gain (loss)—net	(544)
Interest rate swap contracts	Other—net	(3)
Cross-currency interest rate swap contracts	Other—net	(862)
Total		¥ (9,169)

The amount of gain or loss related to the hedging ineffectiveness was not material for the year ended December 31, 2016, the nine months ended December 31, 2015, and the year ended March 31, 2015.

16. FAIR VALUE OF FINANCIAL INSTRUMENTS AND CONCENTRATION OF CREDIT RISK

Fair Value of Financial Instruments

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

(¥ in millions)

At December 31:	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
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)
2015:					
Financial assets:					
Finance receivables—net	¥ 534,461	¥ —	¥ 528,410	¥ —	¥ 528,410
Long-term trade accounts receivable	68,519	—	73,419	—	73,419
Financial liabilities:					
Long-term debt	(579,859)	—	(565,606)	—	(565,606)

The fair value of finance receivables, long-term trade accounts receivable, and long-term debt is recorded at the amounts based on discounted cash flows using the current market rate. The carrying value of finance receivables—net in the table excludes finance leases. Long-term trade accounts receivable in the table includes the current portion, which is included in trade accounts receivable on the consolidated balance sheets. The carrying value of long-term debt in the table excludes capital lease obligations but includes the current portion, which is included in 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 as Level 2, except for cash, which is categorized as Level 1. The carrying value and fair value of other investments and derivatives are disclosed in Note 17. FAIR VALUE MEASUREMENTS.

Concentration of Credit Risks

A large portion of trade accounts receivable and retail finance receivables are from dealers or customers in the farm equipment market in North America. Trade accounts receivable and retail finance receivables arise from the sales of the Company's products to a large number of dealers and to retail customers, respectively. The Company considers that credit risks on these receivables are limited since no single dealer or customer represents a significant concentration of credit risks.

17. 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)				
At December 31:	Level 1	Level 2	Level 3	Total
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
2015:				
Assets:				
Available-for-sale securities:				
Equity securities of financial institutions	¥ 55,170	¥ —	¥ —	¥ 55,170
Other equity securities	80,813	—	—	80,813
Derivatives:				
Foreign exchange contracts	—	621	—	621
Cross-currency swap contracts	—	1,327	—	1,327
Cross-currency interest rate swap contracts	—	8,705	—	8,705
Total assets	¥ 135,983	¥ 10,653	¥ —	¥146,636
Liabilities:				
Derivatives:				
Foreign exchange contracts	¥ —	¥ 171	¥ —	¥ 171
Interest rate swap contracts	—	42	—	42
Total liabilities	¥ —	¥ 213	¥ —	¥ 213

Available-for-sale securities are valued using a quoted price for identical instruments in active markets. Derivatives are valued using observable market inputs from major international financial institutions. The reconciliation to the line items presented in the consolidated balance sheets of available-for-sale securities and derivatives are disclosed in Note 4.

OTHER INVESTMENTS and Note 15. 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 year ended December 31, 2016, the nine months ended December 31, 2015, and the year ended March 31, 2015.

18. 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)

	Year ended December 31, 2016	Nine months ended December 31, 2015	Year ended March 31, 2015
Research and development expenses	¥ 43,012	¥ 29,636	¥ 39,491
Advertising costs	15,360	12,299	14,195
Shipping and handling costs	71,860	54,661	66,053
Depreciation and amortization	43,371	31,193	38,249

Other Operating Expenses—net

Other operating expenses (income)—net for the year ended December 31, 2016 included a loss of ¥203 million from disposal of fixed assets and a loss of ¥540 million from related to liquidation of subsidiaries.

Other operating expenses (income)—net for the nine months ended December 31, 2015 included a loss of ¥760 million from disposal of fixed assets and a loss of ¥3,738 million from impairment of long-lived assets.

The loss from impairment of long-lived assets is mainly related to the land in Shinkashima in the “Corporate” segment, which was recognized since the possibility of sale has considerably increased during the period. The amount of loss from impairment of ¥1,892 million was the portion of the carrying amount exceeding its fair value. The fair value was determined based on the market value, considering the possible sale price in the future.

Other operating expenses (income)—net for the year ended March 31, 2015 included a gain of ¥1,981 million from disposal of fixed assets and a loss of ¥1,244 million from impairment of long-lived assets.

19. COMMITMENTS AND CONTINGENCIES

Commitments

The Company leases certain office space and equipment and employee housing under cancelable and noncancelable lease agreements. Leased assets under capital leases are comprised of the following:

(¥ in millions)

At December 31:	2016	2015
Land	¥ —	¥ 76
Buildings	1,474	1,581
Machinery and equipment	2,206	2,242
Accumulated depreciation	(1,213)	(1,558)
Software	244	214
Total	¥ 2,711	¥ 2,555

Amortization expenses under capital leases for the year ended December 31, 2016, the nine months ended December 31, 2015, and the year ended March 31, 2015 were ¥561 million, ¥424 million, and ¥377 million.

The following table presents the annual maturities of future minimum lease commitments under capital and non-cancelable operating leases at December 31, 2016:

(¥ in millions)

Years ending December 31:	Capital leases	Operating leases
2017	¥ 620	¥ 2,387
2018	527	1,514
2019	440	1,095
2020	255	659
2021	150	232
2022 and thereafter	787	154
Total minimum lease payments	2,779	¥ 6,041
Less: Amounts representing interest	(149)	
Present value of net minimum capital lease payments	¥ 2,630	

Capital lease obligations are included in the current portion of long-term debt and long-term debt on the consolidated balance sheets. Rental expenses under operating leases for the year ended December 31, 2016, the nine months ended December 31, 2015, and the year ended March 31, 2015 were ¥8,314 million, ¥6,011 million, and ¥6,468 million, respectively.

Commitments for capital expenditures outstanding at December 31, 2016 amounted to ¥3,284 million.

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 December 31, 2016 was ¥11,703 million. The fair value of these financial guarantees is not material and the probability of incurrence of a loss is remote.

The Company provides contractual product warranties under which it generally guarantees the performance of products delivered and services rendered for a specified period or term. The Company determines its reserve for product warranties based on an analysis of the historical data of costs to perform under product warranties.

The following table presents the reconciliation of the beginning and ending balances of accrued product warranty cost:

(¥ in millions)

	Year ended December 31, 2016	Nine months ended December 31, 2015
Balance at beginning of period	¥ 14,187	¥ 11,767
Addition	11,590	9,863
Utilization	(10,853)	(6,902)
Other	91	(541)
Balance at end of period	¥ 15,015	¥ 14,187

Accrued product warranty cost is included in other current liabilities on the consolidated balance sheets.

Legal Proceedings

Since May 2007, the Company has been subject to 27 asbestos-related lawsuits in Japan, which were filed against the Company or defendant parties consisting of the Japanese government and asbestos-related companies including the Company. The claims for compensation totaling ¥25,914 million, which concerned a total of 674 construction workers who suffered from asbestos-related diseases, 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 27 lawsuits. The Company has disclosed the aggregate claimed amount of ¥25,914 million as the maximum within the reasonably possible range of loss because the expected loss will be between zero and the aggregate claimed amount. Though 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, the Company has continued its efforts to develop the amount or narrow the range of loss by quantifying the effects of key assumptions such as the probability of losing lawsuits, the total amount of ultimate compensation when lost, and the allocation rate among defendants, which includes both the government and other asbestos-related companies. In quantifying the key assumptions, the Company reviews the status of each lawsuit and assesses its potential financial exposure on a regular basis. Each quarter, representatives from the accounting and legal departments meet to discuss and assess outstanding claims. The legal department consults outside legal counsel about the progress and potential ultimate outcome of the cases. Among the 27 lawsuits, six district courts ruled in favor of the Company, but the plaintiffs appealed the court ruling immediately after the judgment. 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 a better estimation for any of the above key assumptions. The Company expects that the degree of uncertainty related to each of the assumptions will decrease as the lawsuits progress, but is currently unable to predict the ultimate outcome of all lawsuits or when any of them will be finally resolved. Finally, because similar asbestos-related cases in Japan are still pending and have not been finally concluded, the Company is not able to use them as a reference in estimating the above assumptions.

Matters Related to the Health Hazard of Asbestos

(Background)

Until 1995, the Company's plant in Amagasaki, Hyogo Prefecture, Japan, had produced asbestos-related products, although the Company had other plants which also produced asbestos-related products and completely ceased such production by 2001. The Company decided to make voluntary consolation payments to certain residents in June 2005, and established a relief payment program in place of the consolation payment to the residents 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 Japanese government established the Law for the Relief of Patients Suffering from Asbestos-Related Diseases (the "New Asbestos Law") in March 2006. This law was enacted for the purpose of promptly providing relief to the people suffering from asbestos-related diseases who are not eligible for relief by compensation from insurance in accordance with the Workers' Accident Compensation Insurance Law (the "Insurance"). The relief aid payments are contributed by the national government, municipal governments, and business entities. The contribution made by business entities includes a special contribution by the companies which operated a business closely related to asbestos, and commenced from the year ended March 31, 2008.

(Accounting for Asbestos-Related Expenses)

The Company expenses all of the payments for the asbestos health hazards based on the Company's significant accounting policies (See Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES). The recorded expenses are ¥815 million, ¥551 million, and ¥427 million for the year ended December 31, 2016, the nine months ended December 31, 2015, and the year ended March 31, 2015, respectively, which are included in selling, general, and administrative expenses. The expenses include 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.

The Company has accrued balances for the asbestos-related expenses of ¥177 million, ¥311 million, and ¥151 million at December 31, 2016 and 2015, and March 31, 2015, respectively. The accrual includes possible payments to certain residents who lived near the Company's plant and current and former employees, and the special contribution in accordance with the New Asbestos Law. The payments to those residents and current and former employees are each made in a lump sum and their accounting policies and procedures are the same. 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 current and former employees and residents who lived near the Company's plant and who will apply for payments in the future. Accordingly, such payments are not included in the accrued amounts as described above.

In its effort to develop an estimate of a reasonably possible loss or range of loss, the Company has considered all available data, including historical claims (period and cumulative) and the average payments made and public

information related to asbestos-related disease. In addition, the Company has considered various methods, including: 1) estimating future payments by using the rate of incidence of asbestos related disease, and 2) estimating future payments directly based on a time series of data of historical payments. However, reliable statistics related to the rate of incidence in asbestos-related disease are not available to the Company.

Furthermore, there have not been any asbestos-related events impacting other companies in Japan for which all claims have been finalized, and became available to the Company, for estimation of the rate of incidence. In addition, although the Company recorded voluntary consolation payments, relief payments and compensation payments totaling ¥671 million, ¥756 million, ¥358 million, ¥551 million, and ¥815 million for the years ended March 31, from 2013 to 2015, for the nine months ended December 31, 2015, and for the year ended December 31, 2016, respectively, a correlation cannot be reasonably established between time and payment history. The Company believes it is not possible to reasonably estimate the amount of its ultimate liability relating to this contingency. As a result, the Company concluded that it was not able to develop a reasonable estimate as to the possible loss or range of loss.

The Company's share of the special contributions is determined based on the ratio of the Company's historical usage of asbestos to the total quantity of asbestos imported into Japan in the past. The Company accrued ¥68 million of the special contribution for the year ended December 31, 2016.

20. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental information related to the consolidated statements of cash flows is as follows:

(¥ in millions)

	Year ended December 31, 2016	Nine months ended December 31, 2015	Year ended March 31, 2015
Cash paid during the period:			
Interest	¥ 14,785	¥ 11,349	¥ 12,656
Income taxes, net of refunds	49,898	69,093	82,997
Non-cash investing and financing activities:			
Retirement of treasury stock	6,011	2,517	7,702
Assets obtained by entering into capital leases	191	72	123

For the year ended December 31, 2016, the nine months ended December 31, 2015, and the year ended March 31, 2015, the Company purchased non-controlling interests reported in the Farm & Industrial Machinery segment. Since the Company retains the controlling interests before and after the transactions, the net cash flow related to purchases of non-controlling interests is classified in financing activities.

Segment Information

KUBOTA Corporation and its Subsidiaries

21. 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 utilized on a regular basis by the chief operating decision maker in determining how to allocate the Company's resources and evaluate performance. The segments also represent the Company's organizational structure principally based on the nature of products and services.

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

Beginning with the last consolidated fiscal period, the amounts related to "electronic equipped machinery" were reported in the "Farm and Industrial Machinery" segment, whereas they had been formerly reported in the "Water & Environment" segment, in conformity with the change in the business reporting structure of the Company. The segment information for the year ended March 31, 2015 had been retrospectively adjusted to conform to the current fiscal year presentation.

Reporting Segments

Information by reporting segment is summarized as follows:

(¥ in millions)

	Farm & Industrial Machinery	Water & Environment	Other	Adjustments	Consolidated
Year ended December 31, 2016:					
Revenues:					
External customers	¥ 1,272,144	¥ 294,530	¥ 29,417	¥ —	¥ 1,596,091
Intersegment	455	1,744	25,951	(28,150)	—
Total	1,272,599	296,274	55,368	(28,150)	1,596,091
Operating income	¥ 184,991	¥ 22,166	¥ 3,622	¥ (22,002)	¥ 188,777
Identifiable assets at December 31, 2016	¥ 2,121,941	¥ 249,184	¥ 140,975	¥ 158,482	¥ 2,670,582
Depreciation and amortization	32,735	7,054	500	3,082	43,371
Capital Expenditures	54,637	7,834	788	2,148	65,407
Nine months ended December 31, 2015:					
Revenues:					
External customers	¥ 1,020,279	¥ 203,747	¥ 20,749	¥ —	¥ 1,244,775
Intersegment	405	1,518	19,698	(21,621)	—
Total	1,020,684	205,265	40,447	(21,621)	1,244,775
Operating income	¥ 175,025	¥ 10,894	¥ 1,727	¥ (20,772)	¥ 166,874
Identifiable assets at December 31, 2015	¥ 1,998,074	¥ 258,033	¥ 87,510	¥ 189,385	¥ 2,533,002
Depreciation and amortization	23,142	5,413	388	2,250	31,193
Capital Expenditures	28,534	5,822	273	667	35,296
Year ended March 31, 2015:					
Revenues:					
External customers	¥ 1,243,054	¥ 312,523	¥ 28,688	¥ —	¥ 1,584,265
Intersegment	746	1,103	24,535	(26,384)	—
Total	1,243,800	313,626	53,223	(26,384)	1,584,265
Operating income	¥ 192,158	¥ 29,633	¥ 3,252	¥ (21,938)	¥ 203,105
Identifiable assets at March 31, 2015	¥ 1,908,447	¥ 288,139	¥ 91,685	¥ 183,987	¥ 2,472,258
Depreciation and amortization	27,434	7,388	574	2,853	38,249
Capital Expenditures	37,132	9,358	523	3,379	50,392

(Notes)

1. The unallocated corporate expenses included in "Adjustments" amounted to ¥22,002 million, ¥20,772 million, and ¥21,986 million for the year ended December 31, 2016, the nine months ended December 31, 2015, and the year ended March 31, 2015, respectively. The unallocated corporate assets included in "Adjustments" amounted to ¥259,965 million, ¥247,391 million, and ¥240,291 million at December 31, 2016 and 2015, and March 31, 2015, respectively, which consisted mainly of cash and cash equivalents, securities, and corporate properties held or used by the administration department of the Parent Company. "Adjustments" also included the elimination of intersegment transfers.
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.

Revenues from External Customers by Product Group

Information about revenues from external customers by product group is summarized as follows:

(¥ in millions)

	Year ended December 31, 2016	Nine months ended December 31, 2015	Year ended March 31, 2015
Farm & Industrial Machinery:			
Farm equipment and engines	¥ 1,032,237	¥ 849,921	¥ 1,032,001
Construction machinery	212,951	148,785	180,298
Electronic equipped machinery	26,956	21,573	30,755
	1,272,144	1,020,279	1,243,054
Water & Environment:			
Pipe-related products	170,451	125,967	191,204
Environment-related products	81,506	44,850	73,798
Social Infrastructure-related products	42,573	32,930	47,521
	294,530	203,747	312,523
Other	29,417	20,749	28,688
Total	¥ 1,596,091	¥ 1,244,775	¥ 1,584,265

Geographic Information

Information about revenues from external customers by destination and property, plant, and equipment based on physical location are summarized as follows:

(¥ in millions)

	Year ended December 31, 2016	Nine months ended December 31, 2015	Year ended March 31, 2015
Revenues from external customers by destination:			
Japan	¥ 551,441	¥ 401,856	¥ 561,201
North America	479,947	395,582	443,368
Europe	192,478	150,044	208,571
Asia outside Japan	306,030	240,952	304,635
Other areas	66,195	56,341	66,490
Total	¥ 1,596,091	¥ 1,244,775	¥ 1,584,265
Property, plant, and equipment based on physical location:			
Japan	¥ 181,015	¥ 169,373	¥ 178,393
North America	59,327	38,679	34,407
Europe	21,134	22,129	21,692
Asia outside Japan	49,054	51,416	55,987
Other areas	3,701	4,273	4,767
Total	¥ 314,231	¥ 285,870	¥ 295,246

(Notes)

1. Revenues from North America included those from the United States of ¥429,250 million, ¥352,950 million and ¥386,359 million for the year ended December 31, 2016, the nine months ended December 31, 2015, and the year ended March 31, 2015, respectively.
2. There was no single customer from whom revenues exceeded 10% or more of total consolidated revenues of the Company.

22. SUBSEQUENT EVENT

On February 14, 2017, the Company's Board of Directors resolved to pay a cash dividend to shareholders of record on December 31, 2016 of ¥16.00 per common share (¥80.00 per 5 common shares), for a total of ¥19,858 million.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
Kubota Corporation:

We have audited the accompanying consolidated financial statements of Kubota Corporation and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income (loss), changes in equity, and cash flows for the year ended December 31, 2016, for the nine-month period ended December 31, 2015 and for the year ended March 31, 2015, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kubota Corporation and its subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for the year ended December 31, 2016, for the nine-month period ended December 31, 2015 and for the year ended March 31, 2015, in accordance with accounting principles generally accepted in the United States of America.

Report on Management's Report on Internal Control over Financial Reporting

Notwithstanding the second paragraph of the "Auditors' Responsibility" section, we have performed an audit of management's report on internal control over financial reporting ("ICFR") under the Financial Instruments and Exchange Act of Japan. A translated copy of management's report on ICFR along with a translated copy of our report is included within this Annual Securities Report as information for readers.

Deloitte Touche Tohmatsu LLC

Osaka, Japan
March 24, 2017

(TRANSLATION)

INDEPENDENT AUDITORS' REPORT
(Filed under the Financial Instruments and Exchange Act of Japan)

NOTE TO READERS:

The following is an English translation of the Independent Auditors' Report filed under the Financial Instruments and Exchange Act of Japan. This report is presented merely as supplemental information.

There are differences between an audit of internal control over financial reporting ("ICFR") under the Financial Instruments and Exchange Act ("ICFR under FIEA") and one conducted under the attestation standards established by the American Institute of Certified Public Accountants ("AICPA").

In an audit of ICFR under FIEA, the auditors express an opinion on management's report on ICFR, and do not express an opinion on the Company's ICFR directly. In an audit of ICFR under the attestation standards established by the AICPA, the auditors express an opinion on the Company's ICFR directly. Also in an audit of ICFR under FIEA, there is detailed guidance on ICFR while under the attestation standards established by the AICPA, there is no such detailed guidance. Accordingly, based on the quantitative guidance which provides an approximate measure for the scope of assessment of internal control over business processes, we used a measure of approximately two-thirds of total consolidated revenues for the selection of significant business units.

March 24, 2017

To the Board of Directors of
Kubota Corporation:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Koichiro Tsukuda

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Takashige Ikeda

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Akihiro Okada

Audit of Financial Statements

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements included in the Financial Section, namely, the consolidated balance sheet as of December 31, 2016 of Kubota Corporation and its consolidated subsidiaries (the "Company"), and the related consolidated statements of income, comprehensive income (loss), changes in equity and cash flows for the year from January 1, 2016 to December 31, 2016, and a summary of significant accounting policies and other explanatory information, and consolidated supplementary schedules.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America pursuant to the third paragraph of Supplementary Provisions of Cabinet Office Ordinance for Partial Amendment of the Regulations for Terminology, Forms and Preparation Methods of Consolidated Financial Statements (No. 11 of the Cabinet Office Ordinance in 2002), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kubota Corporation and its consolidated subsidiaries as of December 31, 2016, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Audit of Internal Control

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of Kubota Corporation and its consolidated subsidiaries as of December 31, 2016.

Management's Responsibility for the Report on Internal Control

Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditors' Responsibility

Our responsibility is to express an opinion on management's report on internal control based on our internal control audit. We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether management's report on internal control is free from material misstatement.

An internal control audit involves performing procedures to obtain audit evidence about the results of the

assessment of internal control over financial reporting in management's report on internal control. The procedures selected depend on the auditor's judgment, including the significance of effects on reliability of financial reporting. An internal control audit includes examining representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of Kubota Corporation and its consolidated subsidiaries as of December 31, 2016 is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

COVER

[Document Filed]	Confirmation Letter
[Applicable Law]	Article 24-4-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed to]	Director, Kanto Local Finance Bureau
[Filing Date]	March 24, 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 Annual Securities 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 Annual Securities Report for the 127th fiscal year (from January 1, 2016 to December 31, 2016) were adequate under the Financial Instruments and Exchange Act of Japan.

2. Special Notes

Not applicable

COVER

[Document Filed]	Internal Control Report
[Applicable Law]	Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed to]	Director, Kanto Local Finance Bureau
[Filing Date]	March 24, 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)

(TRANSLATION)

Management's Report on Internal Control over Financial Reporting

NOTE TO READERS

The following is an English translation of management's report on internal control over financial reporting ("ICFR") filed under the Financial Instruments and Exchange Act of Japan. This report is presented merely as supplemental information.

There are differences between management's assessment of ICFR under the Financial Instruments and Exchange Act ("ICFR under FIEA") and one conducted under the attestation standards established by the American Institute of Certified Public Accountants ("AICPA").

In management's assessment of ICFR under FIEA, there is detailed guidance on the scope of management's assessment of ICFR, such as quantitative guidance on business unit selection and/or account selection. In management's assessment of ICFR under the attestation standards established by the AICPA, there is no such detailed guidance. Accordingly, based on the quantitative guidance which provides an approximate measure of the scope of assessment of internal control over business processes, we used a measure of approximately two-thirds of total consolidated revenues for the selection of significant business units.

1. Matters Relating to the Basic Framework for Internal Control over Financial Reporting

Masatoshi Kimata, President and Representative Director, and Shigeru Kimura, Director and Senior Managing Executive Officer, General Manager of Planning & Control Headquarters are responsible for designing and operating effective internal control over financial reporting of Kubota Corporation and its subsidiaries (collectively, the "Company"), and have designed and operated internal control over financial reporting of the consolidated financial statements in accordance with the basic framework for internal control set forth in "The Standards and Practice Standards for Management Assessment and Audit of Internal Control Over Financial Reporting" published by the Business Accounting Council.

The internal control is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

2. Matters Relating to Scope of Assessment, the Assessment Date, and Assessment Procedures

The assessment of internal control over financial reporting was performed as of December 31, 2016, which is the end of this fiscal year. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In conducting this assessment, we evaluated internal controls which may have a material effect on the entire financial reporting in a consolidation ("company-level-controls") and based on the result of this assessment, we appropriately selected business processes to be tested. We analyzed these selected business processes, identified key controls that may have a material impact on the reliability of the Company's financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of the Company's internal controls.

We determined the required scope of assessment of internal control over financial reporting for Kubota Corporation, as well as its subsidiaries and affiliated companies from the perspective of the materiality that may affect the reliability of our financial reporting. This materiality that may affect the reliability of financial reporting is determined taking into account the materiality of quantitative and qualitative impacts. We confirmed that we had reasonably determined the scope of assessment of internal controls over business processes in light of the results of assessment of company-level controls conducted for Kubota Corporation, as well as its subsidiaries and affiliated companies. We did not include those subsidiaries and affiliated companies which do not have any quantitatively or qualitatively material impact on the consolidated financial statements in the scope of assessment of company-level controls.

Regarding the scope of assessment of internal control over business processes, we selected business units to be tested, and the business units whose combined revenues (after elimination of intercompany transfers) reaches approximately two thirds of total consolidated revenues for the prior fiscal year were selected as "significant business units."

At the selected significant business units, we included, in the scope of assessment, those business processes leading to revenue, accounts receivable, finance receivables, and inventories as significant accounts that may have a material impact on the business objectives of the Company. Further, we added certain business processes which included in business units other than the significant business units to our scope of assessment, as the business processes having greater materiality considering their impact on the financial reporting, those business processes relating to a greater likelihood of material misstatements and significant accounts involving estimates and management's judgment, and those business processes relating to businesses or operations dealing with high-risk transactions.

3. Matters Related to the Results of the Assessment

As a result of the assessment above, we concluded that our internal control over financial reporting was effective as of December 31, 2016.

4. Supplementary Matters

Not applicable

5. Special Information

Not applicable