

[Translation]

# Quarterly Report

(The Third Quarter of the 130<sup>th</sup> Business Term)  
From July 1, 2019 to September 30, 2019

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

**Kubota Corporation**

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Confirmation Letter

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[Document Filed]	Quarterly Report (“Shihanki Hokokusho”)
[Applicable Law]	Article 24-4-7, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed to]	Director, Kanto Local Finance Bureau
[Filing Date]	November 12, 2019
[Fiscal Year]	The Third Quarter of the 130 <sup>th</sup> Business Term (from July 1, 2019 to September 30, 2019)
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This is an English translation of the Quarterly Report filed with the Director of the Kanto Local Finance Bureau via Electronic Disclosure for Investors’ NETwork (“EDINET”) pursuant to the Financial Instruments and Exchange Act of Japan.

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

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

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

## 1. Overview of the Company

### 1. Key Financial Data

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

	Nine months ended September 30, 2019	Nine months ended September 30, 2018	Year ended December 31, 2018
Revenue	¥ 1,460,750 [489,921]	¥ 1,364,392 [458,196]	¥ 1,850,316
Profit before income taxes	171,287	153,633	197,230
Profit attributable to owners of the parent	122,440 [41,251]	105,924 [33,997]	138,595
Comprehensive income attributable to owners of the parent	107,397	95,891	87,544
Equity attributable to owners of the parent	1,383,264	1,348,856	1,339,850
Total assets	2,998,548	2,900,437	2,895,655
Earnings per share attributable to owners of the parent:			
Basic	99.72 [33.76]	85.92 [27.59]	112.44
Diluted	—	85.92	112.44
Ratio of equity attributable to owners of the parent to total assets (%)	46.1	46.5	46.3
Net cash provided by operating activities	36,729	68,892	89,148
Net cash used in investing activities	(71,093)	(36,060)	(58,756)
Net cash used in financing activities	(43,241)	(36,994)	(27,816)
Cash and cash equivalents, at the end of the period	149,033	225,524	229,123

(Notes)

1. The condensed consolidated financial statements and the consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").
2. The figures of *Revenue*, *Profit attributable to owners of the parent*, and *Earnings per share attributable to owners of the parent—Basic* in square brackets are those for the three months ended September 30, 2019 and 2018, respectively.
3. As the Company prepares the condensed consolidated financial statements, its non-consolidated financial data are not presented.
4. Revenue does not include consumption taxes.
5. Amounts less than presentation units are rounded to the nearest unit.
6. *Earnings per share attributable to owners of the parent—Diluted* for the nine months ended September 30, 2019 is not stated because Kubota Corporation did not have potentially dilutive common shares that were outstanding during the period.

### 2. Description of Business

There were no material changes in the Company's business during the nine months ended September 30, 2019, nor were there any material changes in its associates.

## 2. Business Overview

### 1. Risk Factors

For the nine months ended September 30, 2019, there were no events or facts described in “2. Business Overview” or “4. Financial Information,” that might have material effects on investors’ investment decisions. There were no material changes in the information described in the Risk Factors section of the Annual Securities Report for the year ended December 31, 2018.

In addition, there were no material concerns or events as of September 30, 2019.

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

#### (1) Analysis of Results of Operations

For the nine months ended September 30, 2019, revenue of Kubota Corporation and its subsidiaries (hereinafter, the “Company”) increased by ¥96.4 billion (7.1%) from the same period in the prior year to ¥1,460.8 billion.

Domestic revenue increased by ¥58.0 billion (13.7%) from the same period in the prior year to ¥480.7 billion because of significantly increased revenue in Farm & Industrial Machinery and Water & Environment.

Overseas revenue increased by ¥38.4 billion (4.1%) from the same period in the prior year to ¥980.0 billion because revenue in Farm & Industrial Machinery increased due to strong sales of tractors and construction machinery. On the other hand, revenue in Water & Environment decreased.

Operating profit increased by ¥17.7 billion (12.0%) from the same period in the prior year to ¥166.2 billion. This increase was mainly due to some positive effects from increased sales in the domestic and overseas markets, decreased sales promotion expenses resulting from declined interest rates in the United States, and raised product prices. These positive effects compensated for some negative effects such as increased fixed costs and a rise in material prices. Profit before income taxes increased by ¥17.7 billion (11.5%) from the same period in the prior year to ¥171.3 billion due to increased operating profit. Income tax expenses were ¥43.8 billion and profit for the period increased by ¥16.0 billion (14.0%) from the same period in the prior year to ¥130.3 billion. Profit attributable to owners of the parent increased by ¥16.5 billion (15.6%) from the same period in the prior year to ¥122.4 billion.

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

#### 1) Farm & Industrial Machinery

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

Revenue in this segment increased by 6.5% from the same period in the prior year to ¥1,213.6 billion, and accounted for 83.1% of consolidated revenue.

Domestic revenue increased by 12.2% from the same period in the prior year to ¥263.3 billion because sales of farm equipment increased significantly. In addition, sales of construction machinery and engines also increased.

Overseas revenue increased by 5.0% from the same period in the prior year to ¥950.4 billion. In North America, sales of tractors and construction machinery increased significantly because the solid market continued. In addition, some shipments, which were delayed in the second half of the prior year, were realized in this year and the newly introduced model of construction machinery contributed to increased sales. In Europe, revenue translated in yen decreased due to a negative effect from the yen appreciation against the Euro and the British pound sterling, in addition to stagnated sales of construction machinery in the United Kingdom along with a concern about economic downturn caused by Brexit. On the other hand, sales of tractors and construction machinery increased in France and Germany. In Asia outside Japan, revenue decreased mainly due to stagnant sales of combine harvesters and rice transplanters in China despite increased sales of farm equipment and construction machinery in Thailand. In Other areas, sales of tractors and construction machinery in Australia decreased due to drought and economic downturn.

Operating profit in this segment increased by 9.7% from the same period in the prior year to ¥173.4 billion due to some positive effects mainly from increased revenue in domestic and overseas markets, decreased sales promotion expenses resulting from declined interest rates in the United States, and raised product prices, which compensated for some negative effects from increased fixed costs and a rise in material prices.

## 2) Water & Environment

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

Revenue in this segment increased by 10.1% from the same period in the prior year to ¥223.4 billion, and accounted for 15.3% of consolidated revenue.

Domestic revenue increased by 16.6% from the same period in the prior year to ¥194.0 billion. Revenue from pipe- and infrastructure-related products increased due to a significant increase in sales of ductile iron pipes and construction business despite decreased sales of industrial castings and spiral-welded steel pipes. In environment-related products, revenue from construction of waste disposal and treatment facility in Futaba Town, Fukushima Prefecture increased.

Overseas revenue decreased by 19.6% from the same period in the prior year to ¥29.4 billion. Export sales of ductile iron pipes to the Middle East and sales of wastewater treatment plants (Johkasou) in China decreased.

Operating profit in this segment increased by 47.5% from the same period in the prior year to ¥16.4 billion due to some positive effects mainly from increased sales in the domestic markets and raised product prices.

## 3) Other

Other is mainly comprised of a variety of services.

Revenue in this segment increased by 8.5% from the same period in the prior year to ¥23.7 billion, and accounted for 1.6% of consolidated revenue.

Operating profit in this segment increased by 31.6% from the same period in the prior year to ¥2.3 billion.

## (2) Analysis of Financial Condition

Total assets as of September 30, 2019 were ¥2,998.5 billion, an increase of ¥102.9 billion from the prior fiscal year-end.

With respect to assets, finance receivables increased mainly due to the expansion in sales financing operations in North America and Thailand, where retail sales were strong, while cash and cash equivalents decreased mainly due to an increase in working capital. In addition, property, plant, and equipment also increased mainly due to recognition of right-of-use assets along with adoption of IFRS 16, Leases ("IFRS 16").

With respect to liabilities, bonds and borrowings increased. In addition, other financial liabilities increased due to recognition of lease liabilities along with adoption of IFRS 16 as well.

Equity increased due to the accumulation of retained earnings, while there was a deterioration in other components of equity resulting from fluctuations in foreign exchange rates and prices of securities. The ratio of equity attributable to owners of the parent to total assets stood at 46.1%, 0.2 percent lower than the prior fiscal year-end.

## (3) Analysis of Cash Flows

Net cash provided by operating activities during the nine months ended September 30, 2019 was ¥36.7 billion, a decrease of ¥32.2 billion in net cash inflow compared with the same period in the prior year. This decrease resulted from the changes in working capital, such as trade receivables and trade payables, while profit for the period increased.

Net cash used in investing activities was ¥71.1 billion, an increase of ¥35.0 billion in net cash outflow compared with the same period in the prior year. This increase was mainly due to an increase in cash outflow related to acquisition of property, plant, and equipment and intangible assets.

Net cash used in financing activities was ¥43.2 billion, an increase of ¥6.2 billion in net cash outflow compared with the same period in the prior year. This increase was mainly due to purchases of treasury shares and repayments of lease liabilities along with adoption of IFRS 16 despite an increase in funding.

As a result of the above, and after taking into account the effects from exchange rate changes, cash and cash equivalents as of September 30, 2019 were ¥149.0 billion, a decrease of ¥80.1 billion from the beginning of the current period.

## (4) Issues to Address on Business and Finance

There were no material changes in the outstanding issues for the Company to address during the nine months ended September 30, 2019, and no additional issues arose during the period.

### (5) Research and Development

The Company's research and development expenses for the nine months ended September 30, 2019 were ¥42.0 billion.

There were no material changes in the Company's research and development activities during the nine months ended September 30, 2019.

### (6) Major Property, Plant, and Equipment

The following table presents a plan for new construction of material property, plant, and equipment which was newly determined for the nine months ended September 30, 2019:

Company name (Location)	Reportable segment	Description	Estimated amount of expenditures		Schedule	
			Total amount of expenditures	Amount already paid	Commenced	To be completed
Kubota Corporation Tsukuba Plant (Tsukubamirai-shi, Ibaraki, JAPAN)	Farm & Industrial Machinery	Building of new facilities to increase production of engines	(millions of JPY) 4,970	(millions of JPY) —	August 2019	June 2021
Research and development hub in North America (Georgia, U.S.A.)	Farm & Industrial Machinery	Building of new research and development hub of turf equipment, utility vehicles and implements for tractors	(millions of USD) 85.2	(millions of USD) 17.1	July 2019	April 2022

(Note)

The Company has not yet decided the research and development hub in North America would form a legal entity or belong to any of existing subsidiaries.

The following table presents a new construction of material property, plant, and equipment whose estimated amount of expenditures has been significantly increased since the original plan as of the prior fiscal year-end for the nine months ended September 30, 2019:

Company name (Location)	Reportable segment	Description	Estimated amount of expenditures		Schedule	
			Total amount of expenditures	Amount already paid	Commenced	To be completed
Kubota Corporation Sakai Plant (Sakai-shi, Osaka, JAPAN)	Farm & Industrial Machinery	Building of new research and development hub	(millions of JPY) 84,172	(millions of JPY) 14,272	December 2018	June 2022

### 3. Material Contracts

There were no material contracts which were approved for conclusion or concluded for the three months ended September 30, 2019.

### 3. Information on Kubota Corporation

#### 1. Information on the Shares of Kubota Corporation

##### (1) Total Number of Shares

###### 1) Total Number of Shares

Class	Total number of shares authorized to be issued (shares)
Common shares	1,874,700,000
Total	1,874,700,000

###### 2) Issued Shares

Class	Number of shares issued as of end of period (shares) (September 30, 2019)	Number of shares issued as of filing date (shares) (November 12, 2019)	Stock exchange on which Kubota Corporation is listed	Description
Common shares	1,220,576,846	1,220,576,846	Tokyo Stock Exchange, Inc. (the first section)	The number of shares per one unit of shares is 100 shares.
Total	1,220,576,846	1,220,576,846	—	—

##### (2) Information on Share Acquisition Rights

###### 1) Details of Stock Option Plan

Not applicable.

###### 2) Details of Other Stock Acquisition Rights

Not applicable.

##### (3) Information on Moving Strike Convertible Bonds

Not applicable.

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

Date	Changes in the total number of issued shares (thousands of shares)	Balance of the total number of issued shares (thousands of shares)	Changes in common shares (millions of yen)	Balance of common shares (millions of yen)	Changes in capital reserve (millions of yen)	Balance of capital reserve (millions of yen)
September 30, 2019	(11,980)	1,220,576	¥ —	¥ 84,130	¥ —	¥ 73,117

(Note)

The decrease of issued shares was due to retirement of treasury shares.

##### (5) Major Shareholders

Not applicable.



## (6) Information on Voting Rights

Information on voting rights on the shareholders' list as of June 30, 2019 is stated in this sub-section since Kubota Corporation could not identify the number of voting rights as of September 30, 2019 due to the lack of information.

### 1) Issued Shares

(As of June 30, 2019)

Classification		Number of shares (shares)	Number of voting rights	Description
Shares without voting rights		—	—	—
Shares with restricted voting rights (treasury shares, etc.)		—	—	—
Shares with restricted voting rights (others)		—	—	—
Shares with full voting rights (treasury shares, etc.)	(Treasury shares) Common shares:	4,294,600	—	—
	(Crossholding shares) Common shares:	718,400	—	—
Shares with full voting rights (others)	Common shares:	1,227,283,800	12,272,838	—
Shares less than one unit	Common shares:	260,046	—	Shares less than one unit (100 shares)
Number of issued shares		1,232,556,846	—	—
Total number of voting rights		—	12,272,838	—

(Note)

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

### 2) Treasury Shares

(As of June 30, 2019)

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 share) Kubota Corporation	2-47, Shikitsuhashigashi 1-chome, Naniwa-ku, Osaka, JAPAN	4,294,600	—	4,294,600	0.34
(Crossholding shares) Akita Kubota Corporation	295-38, Terauchikamiyashiki, Akita-shi, Akita, JAPAN	41,400	—	41,400	0.00
Minami Tohoku Kubota Corporation	16-1, Takakura Sugishita, Hiwadamachi, Koriyama-shi, Fukushima, JAPAN	102,000	—	102,000	0.00
Hokuriku Kinki Kubota Corporation	956-1, Shimokashiwanomachi, Hakusan-shi, Ishikawa, JAPAN	9,000	—	9,000	0.00
Fukuoka Kyushu Kubota Corporation	11-36, Noma 1-chome, Minami-ku, Fukuoka, JAPAN	566,000	—	566,000	0.04
Total crossholding share	—	718,400	—	718,400	0.05
Total	—	5,013,000	—	5,013,000	0.40

## 2. Changes in Directors and Senior Management

Changes in Directors and senior management since the filing date of the Annual Securities Report for the 129<sup>th</sup> business term to September 30, 2019 are as follows:

### (1) Resignation

Position	Responsibilities	Name	Date of resignation
Audit & Supervisory Board Member (Part time)	—	Masato Hinenoya	May 31, 2019

### (2) Change in Positions and Responsibilities

New positions and responsibilities		Former positions and responsibilities		Name	Date of changes
Director and Senior Managing Executive Officer of Kubota Corporation	General Manager of Planning and Control Headquarters, General Manager of Global ICT Headquarters	Director and Senior Managing Executive Officer of Kubota Corporation	General Manager of Planning and Control Headquarters, General Manager of Global IT Headquarters	Masato Yoshikawa	April 1, 2019

### (3) Number of Male and Female of Directors and Audit & Supervisory Board Members and Percentage of Female among Directors and Audit & Supervisory Board Members after Resignation and Change

Male: 12, Female: 1 (percentage of females among Directors and Audit & Supervisory Board Members: 8%)

### (Reference Information)

Kubota Corporation adopted the Executive Officer System. Change in the Executive Officers who do not hold the post of Director since the filing date of the Annual Securities Report for the 129<sup>th</sup> business term to September 30, 2019 is as follows:

New company and position and responsibility		Former company and position and responsibility		Name	Date of change
Executive Officer of Kubota Corporation	President of SIAM KUBOTA Corporation Co., Ltd., President of Kubota Research & Development Asia Co., Ltd.	Executive Officer of Kubota Corporation	President of SIAM KUBOTA Corporation Co., Ltd.	Hiroto Kimura	September 1, 2019

## 4. Financial Information

### 1. Condensed Consolidated Financial Statements

Kubota Corporation and Its Subsidiaries

#### (1) Condensed Consolidated Statement of Financial Position

(Unit: millions of yen)

	Note	September 30, 2019	December 31, 2018
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents		¥ 149,033	¥ 229,123
Trade receivables		677,775	660,401
Finance receivables		284,204	267,262
Other financial assets	5	61,543	54,373
Inventories		398,469	370,698
Income taxes receivable		3,147	4,416
Other current assets		71,020	53,250
<b>Total current assets</b>		<b>1,645,191</b>	<b>1,639,523</b>
<b>Noncurrent assets:</b>			
Investments accounted for using the equity method		33,146	30,611
Finance receivables		668,040	621,886
Other financial assets	5	147,916	151,198
Property, plant, and equipment		380,440	330,034
Goodwill and intangible assets		55,225	49,948
Deferred tax assets		49,336	50,055
Other noncurrent assets		19,254	22,400
<b>Total noncurrent assets</b>		<b>1,353,357</b>	<b>1,256,132</b>
<b>Total assets</b>		<b>¥ 2,998,548</b>	<b>¥ 2,895,655</b>

(Unit: millions of yen)

	Note	September 30, 2019	December 31, 2018
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities:</b>			
Bonds and borrowings		¥ 327,259	¥ 349,060
Trade payables		282,833	306,759
Other financial liabilities	6	65,145	57,402
Income taxes payable		22,585	9,353
Provisions		29,338	22,415
Other current liabilities	7	187,687	177,834
Total current liabilities		914,847	922,823
<b>Noncurrent liabilities:</b>			
Bonds and borrowings		541,830	490,205
Other financial liabilities	6	24,264	4,727
Retirement benefit liabilities		15,625	14,498
Deferred tax liabilities		21,965	29,308
Other noncurrent liabilities	7	7,604	7,661
Total noncurrent liabilities		611,288	546,399
<b>Total liabilities</b>		<b>1,526,135</b>	<b>1,469,222</b>
<b>Equity:</b>			
Equity attributable to owners of the parent:			
Share capital		84,130	84,130
Share premium		84,748	85,305
Retained earnings		1,206,095	1,135,395
Other components of equity		8,927	35,343
Treasury shares		(636)	(323)
Total equity attributable to owners of the parent		1,383,264	1,339,850
Noncontrolling interests		89,149	86,583
<b>Total equity</b>		<b>1,472,413</b>	<b>1,426,433</b>
<b>Total liabilities and equity</b>		<b>¥ 2,998,548</b>	<b>¥ 2,895,655</b>

See notes to condensed consolidated financial statements.

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

Nine months ended September 30, 2019 and 2018

Condensed Consolidated Statement of Profit or Loss

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

	Note	2019	%	2018	%
Revenue	8	¥ 1,460,750	100.0	¥ 1,364,392	100.0
Cost of sales		(1,033,358)		(971,674)	
Selling, general, and administrative expenses		(256,157)		(241,815)	
Other income		2,259		2,075	
Other expenses		(7,310)		(4,536)	
<b>Operating profit</b>		<b>166,184</b>	<b>11.4</b>	<b>148,442</b>	<b>10.9</b>
Finance income		6,156		6,739	
Finance costs		(1,053)		(1,548)	
<b>Profit before income taxes</b>		<b>171,287</b>	<b>11.7</b>	<b>153,633</b>	<b>11.3</b>
Income tax expenses		(43,794)		(40,793)	
Share of profits of investments accounted for using the equity method		2,804		1,472	
<b>Profit for the period</b>		<b>¥ 130,297</b>	<b>8.9</b>	<b>¥ 114,312</b>	<b>8.4</b>
<b>Profit attributable to:</b>					
Owners of the parent		¥ 122,440	8.4	¥ 105,924	7.8
Noncontrolling interests		¥ 7,857	0.5	¥ 8,388	0.6

	Note	2019	2018
<b>Earnings per share attributable to owners of the parent:</b>	9		
Basic		¥ 99.72	¥ 85.92
Diluted		¥ —	¥ 85.92

Condensed Consolidated Statement of Comprehensive Income

(Unit: millions of yen)

	Note	2019	2018
<b>Profit for the period</b>		<b>¥ 130,297</b>	<b>¥ 114,312</b>
<b>Other comprehensive income, net of income tax:</b>			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit pension plans		80	203
Net change in fair value of financial assets measured at fair value through other comprehensive income		6,444	(8,833)
Items that may be reclassified subsequently to profit or loss:			
Exchange rate differences on translating foreign operations		(19,633)	(968)
<b>Total other comprehensive income, net of income tax</b>		<b>(13,109)</b>	<b>(9,598)</b>
<b>Comprehensive income for the period</b>		<b>¥ 117,188</b>	<b>¥ 104,714</b>
<b>Comprehensive income attributable to:</b>			
Owners of the parent		¥ 107,397	¥ 95,891
Noncontrolling interests		¥ 9,791	¥ 8,823

See notes to condensed consolidated financial statements.

**Three months ended September 30, 2019 and 2018**  
**Condensed Consolidated Statement of Profit or Loss**

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

	Note	2019	%	2018	%
<b>Revenue</b>		¥ 489,921	100.0	¥ 458,196	100.0
<b>Cost of sales</b>		(343,709)		(330,768)	
<b>Selling, general, and administrative expenses</b>		(89,520)		(82,127)	
<b>Other income</b>		933		3,422	
<b>Other expenses</b>		(2,388)		(1,421)	
<b>Operating profit</b>		55,237	11.3	47,302	10.3
<b>Finance income</b>		1,712		2,553	
<b>Finance costs</b>		(302)		(1,396)	
<b>Profit before income taxes</b>		56,647	11.6	48,459	10.6
<b>Income tax expenses</b>		(14,318)		(12,794)	
<b>Share of profits of investments accounted for using the equity method</b>		1,231		591	
<b>Profit for the period</b>		¥ 43,560	8.9	¥ 36,256	7.9
<b>Profit attributable to:</b>					
Owners of the parent		¥ 41,251	8.4	¥ 33,997	7.4
Noncontrolling interests		¥ 2,309	0.5	¥ 2,259	0.5
<b>Earnings per share attributable to owners of the parent:</b>					
Basic	9	¥ 33.76		¥ 27.59	
Diluted		¥ —		¥ 27.59	

**Condensed Consolidated Statement of Comprehensive Income**

(Unit: millions of yen)

	Note	2019	2018
<b>Profit for the period</b>		¥ 43,560	¥ 36,256
<b>Other comprehensive income, net of income tax:</b>			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit pension plans		50	(95)
Net change in fair value of financial assets measured at fair value through other comprehensive income		1,169	5,941
Items that may be reclassified subsequently to profit or loss:			
Exchange rate differences on translating foreign operations		(4,923)	23,795
<b>Total other comprehensive income, net of income tax</b>		<b>(3,704)</b>	<b>29,641</b>
<b>Comprehensive income for the period</b>		¥ 39,856	¥ 65,897
<b>Comprehensive income attributable to:</b>			
Owners of the parent		¥ 36,884	¥ 60,602
Noncontrolling interests		¥ 2,972	¥ 5,295

See notes to condensed consolidated financial statements.

### (3) Condensed Consolidated Statement of Changes in Equity

(Unit: millions of yen)

	Note	Equity attributable to owners of the parent					Total equity attributable to owners of the parent	Noncontrolling interests	Total equity
		Share capital	Share premium	Retained earnings	Other components of equity	Treasury shares			
<b>Balance as of January 1, 2019</b>		¥ 84,130	¥ 85,305	¥ 1,135,395	¥ 35,343	¥ (323)	¥ 1,339,850	¥ 86,583	¥ 1,426,433
Profit for the period				122,440			122,440	7,857	130,297
Total other comprehensive income, net of income tax					(15,043)		(15,043)	1,934	(13,109)
<b>Comprehensive income for the period</b>				122,440	(15,043)		107,397	9,791	117,188
Transfer to retained earnings				10,910	(10,910)		—		—
Dividends paid	10			(43,065)			(43,065)	(3,951)	(47,016)
Purchases and sales of treasury shares						(20,001)	(20,001)		(20,001)
Retirement of treasury shares				(19,566)		19,566	—		—
Share-based payments with transfer restrictions			(32)	(19)		122	71		71
Changes in ownership interests in subsidiaries			(525)		(463)		(988)	(3,274)	(4,262)
<b>Balance as of September 30, 2019</b>		¥ 84,130	¥ 84,748	¥ 1,206,095	¥ 8,927	¥ (636)	¥ 1,383,264	¥ 89,149	¥ 1,472,413
<b>Balance as of January 1, 2018</b>		¥ 84,100	¥ 85,037	¥ 1,040,207	¥ 81,924	¥ (174)	¥ 1,291,094	¥ 84,474	¥ 1,375,568
Cumulative effects of new accounting standards applied				1,377	3,262		4,639	1,014	5,653
Profit for the period				105,924			105,924	8,388	114,312
Total other comprehensive income, net of income tax					(10,033)		(10,033)	435	(9,598)
<b>Comprehensive income for the period</b>				105,924	(10,033)		95,891	8,823	104,714
Transfer to retained earnings				3,093	(3,093)		—		—
Dividends paid	10			(40,697)			(40,697)	(6,374)	(47,071)
Purchases and sales of treasury shares						(3,002)	(3,002)		(3,002)
Share-based payments with transfer restrictions		30	15				45		45
Changes in ownership interests in subsidiaries			870		16		886	(924)	(38)
<b>Balance as of September 30, 2018</b>		¥ 84,130	¥ 85,922	¥ 1,109,904	¥ 72,076	¥ (3,176)	¥ 1,348,856	¥ 87,013	¥ 1,435,869

See notes to condensed consolidated financial statements.

## (4) Condensed Consolidated Statement of Cash Flows

(Unit: millions of yen)

Nine months ended September 30:	Note	2019	2018
<b>Cash flows from operating activities:</b>			
Profit for the period		¥ 130,297	¥ 114,312
Depreciation and amortization		46,007	36,705
Loss from disposal of property, plant, and equipment and intangible assets, net		767	654
Finance income and costs		(4,289)	(4,592)
Income tax expenses		43,794	40,793
Share of profits of investments accounted for using the equity method		(2,804)	(1,472)
Increase in trade receivables		(31,533)	(5,882)
Increase in finance receivables		(76,162)	(74,657)
Increase in inventories		(39,619)	(29,343)
(Increase) decrease in other assets		(9,751)	11,071
(Decrease) increase in trade payables		(20,865)	13,383
Increase in other liabilities		25,374	22,179
Net changes in retirement benefit assets and liabilities		1,232	724
Other, net		8,495	2,974
Interest received		3,235	3,017
Dividends received		2,235	2,206
Interest paid		(708)	(510)
Income taxes paid, net		(38,976)	(62,670)
Net cash provided by operating activities		36,729	68,892
<b>Cash flows from investing activities:</b>			
Payments for acquisition of property, plant, and equipment		(65,242)	(36,085)
Payments for acquisition of intangible assets		(11,525)	(6,899)
Proceeds from sales and redemptions of securities		19,098	6,005
Payments for loans receivable from associates		(24,300)	(29,660)
Collection of loans receivable from associates		23,350	28,557
Payments for time deposits		(20,051)	(13,601)
Proceeds from withdrawal of time deposits		7,041	19,245
Payments for acquisition of short-term investments		(14,389)	(12,451)
Proceeds from sales and redemptions of short-term investments		16,907	8,919
Other, net		(1,982)	(90)
Net cash used in investing activities		(71,093)	(36,060)
<b>Cash flows from financing activities:</b>			
Funding from bonds and long-term borrowings		214,848	186,262
Redemptions of bonds and repayments of long-term borrowings		(157,625)	(160,059)
Net increase in short-term borrowings		(16,374)	(13,077)
Repayments for lease liabilities		(13,807)	—
Dividends paid	10	(43,065)	(40,697)
Purchases of treasury shares		(20,001)	(3,002)
Payments for acquisition of noncontrolling interests		(5,652)	(52)
Other, net		(1,565)	(6,369)
Net cash used in financing activities		(43,241)	(36,994)
<b>Effect of exchange rate changes on cash and cash equivalents</b>		(2,485)	(1,034)
<b>Net decrease in cash and cash equivalents</b>		(80,090)	(5,196)
<b>Cash and cash equivalents, at the beginning of the period</b>		229,123	230,720
<b>Cash and cash equivalents, at the end of the period</b>		¥ 149,033	¥ 225,524

See notes to condensed consolidated financial statements.



## Notes to Condensed Consolidated Financial Statements

Kubota Corporation and Its Subsidiaries

### 1. REPORTING ENTITY

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

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

### 2. BASIS OF FINANCIAL STATEMENTS

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#### **Compliance with International Financial Reporting Standards (“IFRS”)**

The condensed consolidated financial statements of the Company are prepared in accordance with International Accounting Standard (“IAS”) 34, as permitted by the provision of Article 93 of the Ordinance on Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements (the “Ordinance”) since the Company is fully qualified as a *Specified Company under Designated International Financial Reporting Standards* pursuant to the provision of Article 1-2 of the Ordinance. Since they do not include all the information and disclosures required for a complete set of financial statements, they should be read in conjunction with the consolidated financial statements for the year ended December 31, 2018.

#### **Basis of Measurement**

Except for the items measured at fair value, such as financial instruments, the Company’s condensed consolidated financial statements are prepared on a historical cost basis.

#### **Functional Currency and Presentation Currency**

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

#### **Significant Accounting Judgements, Estimates, and Assumptions**

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

The estimates and assumptions are continually reviewed. The effects of a change in accounting estimates, if any, are recognized in the reporting period in which the change is made and in the future periods.

The significant accounting judgements, estimates, and assumptions made in preparing the condensed consolidated financial statements are consistent with those made in preparing the consolidated financial statements for the year ended December 31, 2018.

### 3. SIGNIFICANT ACCOUNTING POLICIES

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The accounting policies applied on the condensed consolidated financial statements are consistent with those applied on the consolidated financial statements for the year ended December 31, 2018, except for *Changes in Accounting Policies* stated below.

Income taxes on a quarterly basis are computed using the estimated annual effective tax rate.

#### **Changes in Accounting Policies**

The Company adopted IFRS 16, *Leases* (“IFRS 16”) on January 1, 2019 (the “date of initial application”).

IFRS 16 eliminates the classification of leases by the lessee as either finance leases or operating leases stipulated in the previous accounting standard, IAS 17, *Leases* (“IAS 17”). IFRS 16 requires a lessee to recognize right-of-use assets and

lease liabilities for all leases, except for short-term leases (with a lease term of 12 months or less) and leases of low-value assets, at the commencement date.

The company elected to recognize the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application.

#### Definition of lease

The Company previously determined, at an inception of a contract, whether the contract was or contained a lease in accordance with IAS 17 and IFRIC 4, *Determining whether an Arrangement contains a Lease* ("IFRIC 4"). IFRS 16 requires an entity shall assess whether the contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For the transition to IFRS 16, the Company elects to apply a practical expedient, which allows an entity to succeed the previous determination whether the contract is or contains a lease. The Company applies IFRS 16 to the contracts that were previously identified as leases applying IAS 17 and IFRIC 4 and does not apply IFRS 16 to the contracts that were previously not.

As a result, the Company applies IFRS 16 only to the contracts which were entered into (or changed) on or after January 1, 2019, in determining whether the contract is or contains a lease.

#### Lessee accounting

The Company measures the lease liability at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application.

The Company measures right-of-use assets equal to lease liabilities.

The Company elects to apply the following practical expedients stipulated in IFRS 16 to the contracts which were previously classified as operating leases applying IAS 17:

- (a) to apply a single discount rate to a part of the underlying asset with a reasonably similar characteristic portfolio
- (b) to rely on its assessment of whether leases are onerous applying IAS 37 *Provision, Contingent Liabilities and Contingent Assets* immediately before the date of initial application as an alternative to performing an impairment review and adjust the right-of-use asset at the date of initial application by the amount of any provision for onerous leases recognized in the statement of financial position immediately before the date of initial application
- (c) to exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application
- (d) to use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease

For leases that were previously classified as finance leases applying IAS 17, the carrying amount of the right-of-use asset and the lease liability at the date of initial application are equal to the carrying amount of the lease asset and lease liability measured applying IAS 17 immediately before the date of initial application.

#### Effects to financial statements

As of January 1, 2019, the application of IFRS 16 increased property, plant, and equipment, other financial liabilities (current liabilities), and other financial liabilities (noncurrent liabilities) by ¥39,472 million, ¥13,856 million, and ¥25,616 million, respectively.

The weighted-average interest rate used for measuring lease liabilities was 0.7%.

There are differences between the discounted present value of operating lease commitments disclosed applying IAS 17 as of December 31, 2018, which was immediately before the date of initial application, and the lease liabilities measured as of the date of initial application. These differences are due to reasons such as, in the application of IFRS 16, recording a right-of-use asset and lease liability for the contract with a termination option, determining the lease term reflecting an extension option, and etc.

#### 4. SEGMENT INFORMATION

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

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

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

Information by reportable segment is summarized as follows:

(Unit: millions of yen)

Nine months ended September 30:	Farm & Industrial Machinery	Water & Environment	Other	Adjustments	Consolidated
<b>2019:</b>					
Revenue:					
External customers	¥ 1,213,623	¥ 223,402	¥ 23,725	¥ —	¥ 1,460,750
Intersegment	180	817	21,477	(22,474)	—
Total	1,213,803	224,219	45,202	(22,474)	1,460,750
Operating profit	¥ 173,426	¥ 16,442	¥ 2,303	¥ (25,987)	¥ 166,184
<b>2018:</b>					
Revenue:					
External customers	¥ 1,139,551	¥ 202,974	¥ 21,867	¥ —	¥ 1,364,392
Intersegment	183	764	20,081	(21,028)	—
Total	1,139,734	203,738	41,948	(21,028)	1,364,392
Operating profit	¥ 158,100	¥ 11,144	¥ 1,750	¥ (22,552)	¥ 148,442

(Notes)

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

(Unit: millions of yen)

Three months ended September 30:	Farm & Industrial Machinery	Water & Environment	Other	Adjustments	Consolidated
<b>2019:</b>					
Revenue:					
External customers	¥ 404,785	¥ 77,280	¥ 7,856	¥ —	¥ 489,921
Intersegment	59	280	7,445	(7,784)	—
Total	404,844	77,560	15,301	(7,784)	489,921
Operating profit	¥ 56,266	¥ 6,624	¥ 680	¥ (8,333)	¥ 55,237
<b>2018:</b>					
Revenue:					
External customers	¥ 388,556	¥ 62,560	¥ 7,080	¥ —	¥ 458,196
Intersegment	23	235	6,685	(6,943)	—
Total	388,579	62,795	13,765	(6,943)	458,196
Operating profit	¥ 49,387	¥ 2,017	¥ 639	¥ (4,741)	¥ 47,302

(Notes)

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

## 5. OTHER FINANCIAL ASSETS

Other financial assets are composed of the following:

	(Unit: millions of yen)	
	September 30, 2019	December 31, 2018
Financial assets measured at amortized cost:		
Long-term trade accounts receivable	¥ 44,263	¥ 37,046
Time deposits	19,415	6,654
Restricted cash*	14,406	13,425
Others	15,516	19,976
Financial assets measured at fair value through other comprehensive income:		
Debt financial assets	13,750	15,723
Equity financial assets	101,385	111,509
Financial assets measured at fair value through profit or loss:		
Derivatives	724	1,238
<b>Total</b>	<b>¥ 209,459</b>	<b>¥ 205,571</b>
Current assets	61,543	54,373
Noncurrent assets	147,916	151,198

(Note)

\* Deposits pledged as collateral that are restricted from its withdrawal and advances received for public work that are restricted from its usage.

## 6. OTHER FINANCIAL LIABILITIES

Other financial liabilities are composed of the following:

	(Unit: millions of yen)	
	September 30, 2019	December 31, 2018
Financial liabilities measured at amortized cost:		
Lease liabilities	¥ 32,562	¥ 1,957
Notes and accounts payable for capital expenditures	17,041	26,624
Deposits received	20,035	17,752
Others	13,067	12,854
Financial liabilities measured at fair value through profit or loss:		
Derivatives	6,704	2,942
<b>Total</b>	<b>¥ 89,409</b>	<b>¥ 62,129</b>
Current liabilities	65,145	57,402
Noncurrent liabilities	24,264	4,727

## 7. OTHER LIABILITIES

Other liabilities are composed of the following:

(Unit: millions of yen)

	September 30, 2019	December 31, 2018
Employment benefit obligation	¥ 52,732	¥ 43,309
Accrued expenses	37,450	34,054
Refund liabilities	42,417	46,486
Contract liabilities	12,505	12,243
Others	50,187	49,403
<b>Total</b>	<b>¥ 195,291</b>	<b>¥ 185,495</b>
Current liabilities	187,687	177,834
Noncurrent liabilities	7,604	7,661

## 8. REVENUE

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

(Unit: millions of yen)

Nine months ended September 30, 2019	Japan	North America	Europe	Asia outside Japan	Other area	Total
Farm equipment and engines	¥ 232,795	¥ 347,527	¥ 120,238	¥ 190,150	¥ 24,247	¥ 914,957
Construction machinery	28,285	126,068	64,655	17,656	6,515	243,179
<b>Farm &amp; Industrial Machinery</b>	<b>261,080</b>	<b>473,595</b>	<b>184,893</b>	<b>207,806</b>	<b>30,762</b>	<b>1,158,136</b>
Pipe-related products	91,362	421	6	4,730	757	97,276
Social infrastructure-related products	17,062	5,797	1,391	4,288	4,473	33,011
Environment-related products	85,615	1,006	283	4,930	1,281	93,115
<b>Water &amp; Environment</b>	<b>194,039</b>	<b>7,224</b>	<b>1,680</b>	<b>13,948</b>	<b>6,511</b>	<b>223,402</b>
<b>Other</b>	<b>23,430</b>	<b>16</b>	<b>4</b>	<b>20</b>	<b>4</b>	<b>23,474</b>
Revenue recognized from:						
Contracts with customers	478,549	480,835	186,577	221,774	37,277	1,405,012
Other sources of revenue	2,189	36,950	—	15,447	1,152	55,738
<b>Total</b>	<b>¥ 480,738</b>	<b>¥ 517,785</b>	<b>¥ 186,577</b>	<b>¥ 237,221</b>	<b>¥ 38,429</b>	<b>¥ 1,460,750</b>

(Unit: millions of yen)

Nine months ended September 30, 2018	Japan	North America	Europe	Asia outside Japan	Other area	Total
Farm equipment and engines	¥ 208,259	¥ 304,441	¥ 124,760	¥ 202,578	¥ 30,283	¥ 870,321
Construction machinery	24,225	101,838	68,593	16,786	9,365	220,807
<b>Farm &amp; Industrial Machinery</b>	<b>232,484</b>	<b>406,279</b>	<b>193,353</b>	<b>219,364</b>	<b>39,648</b>	<b>1,091,128</b>
Pipe-related products	83,425	413	5	5,040	4,437	93,320
Social infrastructure-related products	18,261	6,013	1,585	4,445	4,100	34,404
Environment-related products	64,783	891	470	6,764	2,342	75,250
<b>Water &amp; Environment</b>	<b>166,469</b>	<b>7,317</b>	<b>2,060</b>	<b>16,249</b>	<b>10,879</b>	<b>202,974</b>
<b>Other</b>	<b>21,584</b>	<b>5</b>	<b>8</b>	<b>27</b>	<b>3</b>	<b>21,627</b>
Revenue recognized from:						
Contracts with customers	420,537	413,601	195,421	235,640	50,530	1,315,729
Other sources of revenue	2,238	31,248	—	14,007	1,170	48,663
<b>Total</b>	<b>¥ 422,775</b>	<b>¥ 444,849</b>	<b>¥ 195,421</b>	<b>¥ 249,647</b>	<b>¥ 51,700</b>	<b>¥ 1,364,392</b>

Revenue recognized from other sources of revenue includes revenue from retail finance and revenue from finance lease using effective interest rate method. The amounts of the above revenue are ¥41,721 million and ¥36,222 million for the nine months ended September 30, 2019 and 2018, respectively.

Beginning with the second quarter of the current year, revenue from *Pump* recognized from contract with customers is reported in *Environment-related Products*, whereas they were formerly reported in *Pipe-related Products*.

Accordingly, the information for the nine months ended September 30, 2018 has been retrospectively adjusted to

conform to the current year's presentation as follows:

(Unit: millions of yen)

	Japan	North America	Europe	Asia outside Japan	Other area	Total
¥	14,459	¥ —	¥ —	¥ 836	¥ 1,498	¥ 16,793

## 9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The Company adopted a restricted stock compensation plan (the "Plan") for the Company's Directors. Among the new shares issued under the Plan, contingently returnable shares are distinguished as participating equity instruments from common shares.

Each common share and participating equity instrument has the same right to profit attributable to owners of the parent.

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

Nine months ended September 30:	2019	2018
		(Unit: millions of yen)
Profit attributable to owners of the parent	¥ 122,440	¥ 105,924
Profit attributable to participating equity instruments	3	1
Profit attributable to common shareholders	¥ 122,437	¥ 105,923
		(thousands of shares)
Weighted-average number of common shares issued	1,227,893	1,232,808
Weighted-average number of participating equity instruments	29	16
Weighted-average number of common shares outstanding	1,227,864	1,232,791

Three months ended September 30:	2019	2018
		(Unit: millions of yen)
Profit attributable to owners of the parent	¥ 41,251	¥ 33,997
Profit attributable to participating equity instruments	1	1
Profit attributable to common shareholders	¥ 41,250	¥ 33,996
		(thousands of shares)
Weighted-average number of common shares issued	1,221,734	1,232,118
Weighted-average number of participating equity instruments	35	19
Weighted-average number of common shares outstanding	1,221,699	1,232,099

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

Nine months ended September 30:	2019	2018
		(Unit: millions of yen)
Profit attributable to owners of the parent	¥ —	¥ 105,924
Profit attributable to participating equity instruments used to calculate diluted earnings per share attributable to owners of the parent	—	1
Profit attributable to common shareholders used to calculate diluted earnings per share attributable to owners of the parent	¥ —	¥ 105,923
		(Unit: thousands of shares)
Weighted-average number of common shares issued	—	1,232,808
Addition: remuneration for non-resident of Japan	—	2
Weighted-average number of participating equity instruments	—	16
Weighted-average number of common shares used to calculate diluted earnings per share attributable to owners of the parent	—	1,232,794

Three months ended September 30:	2019	2018
		(Unit: millions of yen)
Profit attributable to owners of the parent	¥ —	¥ 33,997
Profit attributable to participating equity instruments used to calculate diluted earnings per share attributable to owners of the parent	—	1
Profit attributable to common shareholders used to calculate diluted earnings per share attributable to owners of the parent	¥ —	¥ 33,996
		(Unit: thousands of shares)
Weighted-average number of common shares issued	—	1,232,118
Addition: remuneration for non-resident of Japan	—	2
Weighted-average number of participating equity instruments	—	19
Weighted-average number of common shares used to calculate diluted earnings per share attributable to owners of the parent	—	1,232,101

## 10. DIVIDENDS

Dividends paid are as follows:

### Nine months ended September 30, 2019

Date of resolution	Class of shares	Dividends (millions of yen)	Dividends per common share (yen)	Record date	Effective date
The Meeting of the Board of Directors on February 14, 2019	Common shares	¥ 22,184	¥ 18.00	December 31, 2018	March 25, 2019
The Meeting of the Board of Directors on August 7, 2019	Common shares	¥ 20,880	¥ 17.00	June 30, 2019	September 2, 2019

### Nine months ended September 30, 2018

Date of resolution	Class of shares	Dividends (millions of yen)	Dividends per common share (yen)	Record date	Effective date
The Meeting of the Board of Directors on February 14, 2018	Common shares	¥ 20,978	¥ 17.00	December 31, 2017	March 26, 2018
The Meeting of the Board of Directors on August 2, 2018	Common shares	¥ 19,719	¥ 16.00	June 30, 2018	September 3, 2018



## 11. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

### Financial instruments measured at fair value

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

(Unit: millions of yen)

	September 30, 2019			
	Level 1	Level 2	Level 3	Total
<b>Financial assets:</b>				
Financial assets measured at fair value through other comprehensive income:				
Debt financial assets	¥ 13,750	¥ —	¥ —	¥ 13,750
Equity financial assets	98,037	—	3,348	101,385
Financial assets measured at fair value through profit or loss:				
Derivatives:				
Foreign exchange contracts	—	724	—	724
<b>Total</b>	<b>¥ 111,787</b>	<b>¥ 724</b>	<b>¥ 3,348</b>	<b>¥ 115,859</b>
<b>Financial liabilities:</b>				
Financial liabilities measured at fair value through profit or loss:				
Derivatives:				
Foreign exchange contracts	¥ —	¥ 617	¥ —	¥ 617
Interest swap contracts	—	1,229	—	1,229
Cross-currency interest rate swap contracts	—	4,858	—	4,858
<b>Total</b>	<b>¥ —</b>	<b>¥ 6,704</b>	<b>¥ —</b>	<b>¥ 6,704</b>

(Unit: millions of yen)

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
<b>Financial assets:</b>				
Financial assets measured at fair value through other comprehensive income:				
Debt financial assets	¥ 15,723	¥ —	¥ —	¥ 15,723
Equity financial assets	108,484	—	3,025	111,509
Financial assets measured at fair value through profit or loss:				
Derivatives:				
Foreign exchange contracts	—	1,171	—	1,171
Interest rate swap contracts	—	55	—	55
Cross-currency interest rate swap contracts	—	12	—	12
<b>Total</b>	<b>¥ 124,207</b>	<b>¥ 1,238</b>	<b>¥ 3,025</b>	<b>¥ 128,470</b>
<b>Financial liabilities:</b>				
Financial liabilities measured at fair value through profit or loss:				
Derivatives:				
Foreign exchange contracts	¥ —	¥ 96	¥ —	¥ 96
Interest swap contracts	—	422	—	422
Cross-currency interest rate swap contracts	—	2,424	—	2,424
<b>Total</b>	<b>¥ —</b>	<b>¥ 2,942</b>	<b>¥ —</b>	<b>¥ 2,942</b>

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

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

Equity financial assets classified in Level 3 are unlisted equity securities and measured at fair value using methods such as the comparable company comparison method with the earnings before interest and tax ("EBIT") ratio (from -1.2 to 11.4), etc. As the EBIT ratio increases (decreases), the fair values on those equity financial assets increase (decrease).

Transfers between levels are recognized at the end of the reporting periods when such transfers occur. There were no significant transfers of financial instruments between the levels for the nine months ended September 30, 2019 and 2018.

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

(Unit: millions of yen)

<b>Nine months ended September 30:</b>		<b>2019</b>	<b>2018</b>
Balance at the beginning of the period	¥	3,025	¥ 8,123
Gains or losses*		105	(3,253)
Purchases		228	21
Sales		(10)	(309)
Balance at the end of the period	¥	3,348	¥ 4,582

(Note)

\* Gains or losses are those related to unlisted equity securities held as of September 30, 2019 and 2018, and included in net change in fair value of financial assets measured at fair value through other comprehensive income in the condensed consolidated statement of comprehensive income.

#### Financial instruments measured at amortized cost

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

(Unit: millions of yen)

	<b>September 30, 2019</b>		<b>December 31, 2018</b>	
	Carrying amount	Fair value	Carrying amount	Fair value
Finance receivables:				
Retail finance receivables	¥ 692,599	¥ 677,446	¥ 666,787	¥ 640,184
Finance lease receivables	259,645	294,224	222,361	251,150
Long-term trade accounts receivable	80,910	86,319	67,547	72,625
Bonds and borrowings	869,089	870,103	839,265	829,736

The fair value of finance receivables, long-term trade accounts receivable, and bonds and borrowings is stated at the present value of future cash flows discounted by the current market rate. Long-term trade accounts receivable in the above table includes the current portion, which is included in trade receivables in the condensed consolidated statement of financial position.

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

## 12. CONTINGENT LIABILITIES

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### **Legal Proceedings**

Since May 2007, the Company has been subject to 32 asbestos-related lawsuits in Japan, which were filed against the Company or defendant parties consisting of the Japanese government and asbestos-related companies including the Company. The total claims for compensation of all 32 lawsuits aggregate ¥28,127 million, which relate to 733 construction workers who suffered from asbestos-related diseases.

23 among 32 lawsuits were compiled into seven cases, which were decided in favor of the Company, but the plaintiffs appealed the court ruling of these seven cases. The appellate court ordered the Company to pay compensation damages of ¥7 million under the judgement. Apart from the above case, the three appellate courts ruled in favor of the Company, but the plaintiffs of the three cases appealed to the supreme courts.

Since the above cases will continue until an ultimate outcome is reached and the 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 predicting the ultimate outcomes of the above cases.

The Company reviews the status of each lawsuit on a regular basis by utilizing consultations of outside legal counsel, however, due to the above reasons, the Company believes that it is currently unable to predict the ultimate outcome of all lawsuits.

The Company does not have any cost-sharing arrangements with other potentially responsible parties, including the government for these 32 lawsuits.

### **Matters Related to the Health Hazards of Asbestos**

The Company's plant in Amagasaki, Hyogo Prefecture, Japan, previously produced asbestos-related products. The Company decided to make voluntary consolation payments to certain residents in June 2005, and established a relief payment program in place as a voluntary 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.

In its effort to develop an estimate of future asbestos-related expenditures, the Company has considered all available data, including a time series of historical claims and payments, the rate of incidence of asbestos related disease, and public information related to asbestos-related disease. However the health hazards of asbestos tend to have a longer incubation period, and therefore reliable statistics related to the rate of incidence in asbestos-related disease are not available to the Company. Furthermore, since there have not been any asbestos-related events impacting other companies in Japan for which all claims have been finalized, for estimation of the rate of incidence, the Company believes it is not possible to decide the range of the final possible outcome in the future. For these reasons, the Company believes it is not possible to reliably estimate the amount of its ultimate liability, and the Company does not accrue on this contingency.

The Law for the Relief of Patients Suffering from Asbestos-Related Diseases (the "New Asbestos Law") was established by the Japanese government, and the contributions made by business entities include a special contribution by the companies which operated a business closely related to asbestos, and commenced from the year ended March 31, 2008.

The Company accrues asbestos-related expenses when the Company receives the related claims, which include 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 accrued balances for those expenses are ¥283 million and ¥113 million at September 30, 2019 and December 31, 2018, respectively. The asbestos related expenses recognized for the nine months ended September 30, 2019 and 2018 were ¥850 million and ¥594 million, respectively.

### 13. SUBSEQUENT EVENTS

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Not applicable.

### 14. APPROVAL OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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The condensed consolidated financial statements were approved on November 12, 2019 by Masatoshi Kimata, President and Representative Director of the Parent Company, and Masato Yoshikawa, Director and Senior Managing Executive Officer, General Manager of Planning & Control Headquarters of the Parent Company.

## 2. Other

On August 7, 2019, the Board of Directors of the Parent Company resolved and paid dividends as follows:

### 1) Shareholders to Be Paid Dividends

Shareholders of record on June 30, 2019

### 2) Amount of Dividends

¥17.00 per common share, a total of ¥20,880 million

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

September 2, 2019

COVER

[Document Filed]	Confirmation Letter
[Applicable Law]	Article 24-4-8, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed to]	Director, Kanto Local Finance Bureau
[Filing Date]	November 12, 2019
[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]	Masato Yoshikawa, 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, Tokyo Head Office (1-3, Kyobashi 2-chome, Chuo-ku, Tokyo, JAPAN)  Tokyo Stock Exchange, Inc (2-1, Nihombashi Kabuto-cho, Chuo-ku, Tokyo, JAPAN)

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

Masatoshi Kimata, President and Representative Director, and Masato Yoshikawa, Director and Senior Managing Executive Officer, General Manager of Planning & Control Headquarters, confirmed that statements contained in the Quarterly Report for the third quarter of the 130<sup>th</sup> business term (from July 1, 2019 to September 30, 2019) were adequate under the Financial Instruments and Exchange Act of Japan.

## 2. Special Notes

Not applicable.