

PENNS WOODS BANCORP INC
Form 10-Q
May 10, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

x **Quarterly Report pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934**

for the Quarterly Period Ended March 31, 2010.

o **Transition report pursuant to Section 13 or 15 (d) of the Exchange Act**

for the Transition Period from to .

No. 0-17077

(Commission File Number)

PENNS WOODS BANCORP, INC.

(Exact name of Registrant as specified in its charter)

PENNSYLVANIA
(State or other jurisdiction of
incorporation or organization)

23-2226454
(I.R.S. Employer
Identification No.)

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300 Market Street, P.O. Box 967 Williamsport, Pennsylvania
(Address of principal executive offices)

17703-0967
(Zip Code)

(570) 322-1111

Registrant's telephone number, including area code

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ☐ NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐

Small reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☒

On May 5, 2010 there were 3,834,887 shares of the Registrant's common stock outstanding.

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PENNS WOODS BANCORP, INC.

CONSOLIDATED BALANCE SHEET

(UNAUDITED)

(In Thousands, Except Share Data)	March 31, 2010	December 31, 2009
ASSETS:		
Noninterest-bearing balances	\$ 20,335	\$ 13,760
Interest-bearing deposits in other financial institutions	89	28
Total cash and cash equivalents	20,424	13,788
Investment securities, available for sale, at fair value	217,252	208,768
Investment securities held to maturity (fair value of \$108 and \$108)	107	107
Loans held for sale	4,364	4,063
Loans	409,919	405,529
Less: Allowance for loan losses	4,864	4,657
Loans, net	405,055	400,872
Premises and equipment, net	8,013	7,988
Accrued interest receivable	3,531	3,523
Bank-owned life insurance	15,062	14,942
Investment in limited partnerships	4,756	4,898
Goodwill	3,032	3,032
Deferred tax asset	9,069	9,491
Other assets	5,090	4,732
TOTAL ASSETS	\$ 695,755	\$ 676,204
LIABILITIES:		
Interest-bearing deposits	\$ 440,127	\$ 417,388
Noninterest-bearing deposits	80,913	79,899
Total deposits	521,040	497,287
Short-term borrowings	12,978	18,354
Long-term borrowings, Federal Home Loan Bank (FHLB)	86,778	86,778
Accrued interest payable	990	1,073
Other liabilities	5,997	5,796
TOTAL LIABILITIES	627,783	609,288
SHAREHOLDERS EQUITY		
Common stock, par value \$8.33, 10,000,000 shares authorized; 4,013,663 and 4,013,142 shares issued	33,447	33,443
Additional paid-in capital	18,020	18,008
Retained earnings	27,901	27,218

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Accumulated other comprehensive loss:

Net unrealized loss on available for sale securities	(3,212)	(3,569)
Defined benefit plan	(1,920)	(1,920)
Less: Treasury stock at cost, 179,028 shares	(6,264)	(6,264)
TOTAL SHAREHOLDERS EQUITY	67,972	66,916
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	\$ 695,755	\$ 676,204

See accompanying notes to the unaudited consolidated financial statements.

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PENNS WOODS BANCORP, INC.
CONSOLIDATED STATEMENT OF INCOME
(UNAUDITED)

(In Thousands, Except Per Share Data)	2010	Three Months Ended March 31,	2009
INTEREST AND DIVIDEND INCOME:			
Loans including fees	\$ 6,330	\$ 6,219	
Investment securities:			
Taxable	1,349	1,363	
Tax-exempt	1,258	1,246	
Dividend and other interest income	52	89	
TOTAL INTEREST AND DIVIDEND INCOME	8,989	8,917	
INTEREST EXPENSE:			
Deposits	1,710	2,005	
Short-term borrowings	64	158	
Long-term borrowings, FHLB	917	917	
TOTAL INTEREST EXPENSE	2,691	3,080	
NET INTEREST INCOME	6,298	5,837	
PROVISION FOR LOAN LOSSES	300	126	
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	5,998	5,711	
NON-INTEREST INCOME:			
Service charges	510	525	
Securities losses, net	(3)	(2,369)	
Earnings on bank-owned life insurance	171	162	
Gain on sale of loans	182	118	
Insurance commissions	264	354	
Other	572	434	
TOTAL NON-INTEREST INCOME	1,696	(776)	
NON-INTEREST EXPENSE:			
Salaries and employee benefits	2,737	2,482	
Occupancy, net	331	339	
Furniture and equipment	304	307	
Pennsylvania shares tax	169	171	
Amortization of investment in limited partnerships	142	142	
Other	1,303	1,204	
TOTAL NON-INTEREST EXPENSE	4,986	4,645	
INCOME BEFORE INCOME TAX PROVISION (BENEFIT)	2,708	290	
INCOME TAX PROVISION (BENEFIT)	260	(549)	
NET INCOME	\$ 2,448	\$ 839	
NET INCOME PER SHARE - BASIC	\$ 0.64	\$ 0.22	

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NET INCOME PER SHARE - DILUTED	\$	0.64	\$	0.22
WEIGHTED AVERAGE SHARES OUTSTANDING - BASIC		3,834,296		3,831,747
WEIGHTED AVERAGE SHARES OUTSTANDING - DILUTED		3,834,448		3,831,747
DIVIDENDS PER SHARE		0.46		0.46

See accompanying notes to the unaudited consolidated financial statements.

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PENNS WOODS BANCORP, INC.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

(UNAUDITED)

(In Thousands, Except Per Share Data)	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL		RETAINED EARNINGS		ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TREASURY STOCK	TOTAL SHAREHOLDERS EQUITY
	SHARES	AMOUNT	CAPITAL		EARNINGS				
Balance, December 31, 2008	4,010,528	\$ 33,421	\$ 17,959	\$	28,177	\$	(12,266)	\$ (6,264)	\$ 61,027
Comprehensive income:									
Net income					839				839
Other comprehensive income							(1,537)		(1,537)
Dividends declared, (\$1.84 per share)					(1,762)				(1,762)
Common shares issued for employee stock purchase plan	723	6	11						17
Balance, March 31, 2009	4,011,251	\$ 33,427	\$ 17,970	\$	27,254	\$	(13,803)	\$ (6,264)	\$ 58,584

(In Thousands, Except Per Share Data)	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL		RETAINED EARNINGS		ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TREASURY STOCK	TOTAL SHAREHOLDERS EQUITY
	SHARES	AMOUNT	CAPITAL		EARNINGS				
Balance, December 31, 2009	4,013,142	\$ 33,443	\$ 18,008	\$	27,218	\$	(5,489)	\$ (6,264)	\$ 66,916
Comprehensive income:									
Net income					2,448				2,448
Other comprehensive income							357		357
Dividends declared, (\$.46 per share)					(1,765)				(1,765)
Common shares issued for employee stock purchase plan	521	4	12						16
Balance, March 31, 2010	4,013,663	\$ 33,447	\$ 18,020	\$	27,901	\$	(5,132)	\$ (6,264)	\$ 67,972

PENNS WOODS BANCORP, INC.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

(UNAUDITED)

(In Thousands)	Three Months Ended March 31,	
	2010	2009
Net Income	\$ 2,448	\$ 839
Other Comprehensive income (loss):		
Change in unrealized gain (loss) on available for sale securities	538	(4,697)
Less: Reclassification adjustment for net losses included in net income	(3)	(2,369)
Other comprehensive income (loss) before tax expense (benefit)	541	(2,328)

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Income tax expense (benefit) related to other comprehensive income (loss)		184		(791)
Other comprehensive income (loss), net of tax		357		(1,537)
Comprehensive income (loss)	\$	2,805	\$	(698)

See accompanying notes to the unaudited consolidated financial statements.

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PENNS WOODS BANCORP, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

(In Thousands)	2010	Three Months Ended March 31,	2009
OPERATING ACTIVITIES:			
Net Income	\$	2,448	\$ 839
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization		190	181
Provision for loan losses		300	126
Accretion and amortization of investment security discounts and premiums		(547)	(23)
Securities losses, net		3	2,369
Originations of loans held for sale		(7,130)	(3,797)
Proceeds of loans held for sale		7,011	5,023
Gain on sale of loans		(182)	(118)
Earnings on bank-owned life insurance		(171)	(162)
Other, net		138	(398)
Net cash provided by operating activities		2,060	4,040
INVESTING ACTIVITIES			
Investment securities available for sale:			
Proceeds from sales		147	17
Proceeds from calls and maturities		7,046	2,178
Purchases		(14,592)	(100)
Investment securities held to maturity:			
Proceeds from calls and maturities			25
Net increase in loans		(4,515)	(5,886)
Acquisition of bank premises and equipment		(215)	(49)
Proceeds from the sale of foreclosed assets		26	
Purchase of bank-owned life insurance		(31)	(42)
Proceeds from bank-owned life insurance death benefit		82	
Investment in limited partnership			(701)
Purchases of regulatory stock			(170)
Net cash used for investing activities		(12,052)	(4,728)
FINANCING ACTIVITIES			
Net increase in interest-bearing deposits		22,739	31,511
Net increase (decrease) in noninterest-bearing deposits		1,014	(4,072)
Net decrease in short-term borrowings		(5,376)	(28,678)
Dividends paid		(1,765)	(1,762)
Issuance of common stock		16	17
Net cash provided by (used for) financing activities		16,628	(2,984)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		6,636	(3,672)
CASH AND CASH EQUIVALENTS, BEGINNING		13,788	16,581
CASH AND CASH EQUIVALENTS, ENDING	\$	20,424	\$ 12,909
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Interest paid	\$	2,774	\$ 3,204
Income taxes paid		550	150

Transfer of loans to foreclosed real estate

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See accompanying notes to the unaudited consolidated financial statements.

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PENNS WOODS BANCORP, INC. AND SUBSIDIARIES

**NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

Note 1. Basis of Presentation

The consolidated financial statements include the accounts of Penns Woods Bancorp, Inc. (the Company) and its wholly-owned subsidiaries: Woods Investment Company, Inc., Woods Real Estate Development Company, Inc., and Jersey Shore State Bank (the Bank) and its wholly-owned subsidiary, The M Group, Inc. D/B/A The Comprehensive Financial Group (The M Group). All significant inter-company balances and transactions have been eliminated in the consolidation.

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The interim financial statements are unaudited but, in the opinion of management, reflect all adjustments necessary for the fair presentation of results for such periods. The results of operations for any interim period are not necessarily indicative of results for the full year. These financial statements should be read in conjunction with the financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2009.

The accounting policies followed in the presentation of interim financial results are the same as those followed on an annual basis. These policies are presented on pages 38 through 44 of the Annual Report on Form 10-K for the year ended December 31, 2009.

In reference to the attached financial statements, all adjustments are of a normal recurring nature pursuant to Rule 10-01(b) (8) of Regulation S-X.

Note 2. Recent Accounting Pronouncements

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In December 2009, the FASB issued Accounting Standards Update (ASU) 2009-16, *Accounting for Transfer of Financial Assets*. ASU 2009-16 provides guidance to improve the relevance, representational faithfulness, and comparability of the information that an entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement, if any, in transferred financial assets. ASU 2009-16 is effective for annual periods beginning after November 15, 2009 and for interim periods within those fiscal years. The adoption of this guidance did not have a significant impact on the Company's financial statements.

In December 2009, the FASB issued ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*. The objective of ASU 2009-17 is to improve financial reporting by enterprises involved with variable interest entities and to provide more relevant and reliable information to users of financial statements. ASU 2009-17 is effective for annual periods beginning after November 15, 2009 and for interim periods within those fiscal years. The adoption of this guidance did not have a material impact on the Company's financial position or results of operation.

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In September 2009, the FASB issued new guidance impacting Topic 820. This creates a practical expedient to measure the fair value of an alternative investment that does not have a readily determinable fair value. This guidance also requires certain additional disclosures. This guidance is effective for interim and annual periods ending after December 15, 2009. The Company has presented the necessary disclosures in Note 8 (Fair Value Measurements) herein.

In October 2009, the FASB issued ASU 2009-15, *Accounting for Own-Share Lending Arrangements in Contemplation of Convertible Debt Issuance or Other Financing*. ASU 2009-15 amends Subtopic 470-20 to expand accounting and reporting guidance for own-share lending arrangements issued in contemplation of convertible debt issuance. ASU 2009-15 is effective for fiscal years beginning on or after December 15, 2009 and interim periods within those fiscal years for arrangements outstanding as of the beginning of those fiscal years. The adoption of this guidance did not have a material impact on the Company's financial position or results of operation.

In January 2010, the FASB issued ASU 2010-01, *Equity (Topic 505): Accounting for Distributions to Shareholders with Components of Stock and Cash – a consensus of the FASB Emerging Issues Task Force*. ASU 2010-01 clarifies that the stock portion of a distribution to shareholders that allows them to elect to receive cash or stock with a potential limitation on the total amount of cash that all shareholders can elect to receive in the aggregate is considered a share issuance that is reflected in EPS prospectively and is not a stock dividend. ASU 2010-01 is effective for interim and annual periods ending on or after December 15, 2009 and should be applied on a retrospective basis. The adoption of this guidance did not have a material impact on the Company's financial position or results of operation.

In January 2010, the FASB issued ASU 2010-02, *Consolidation (Topic 810): Accounting and reporting for Decreases in Ownership of a Subsidiary – a Scope Clarification*. ASU 2010-02 amends Subtopic 810-10 to address implementation issues related to changes in ownership provisions including clarifying the scope of the decrease in ownership and additional disclosures. ASU 2010-02 is effective beginning in the period that an entity adopts Statement 160. If an entity has previously adopted Statement 160, ASU 2010-02 is effective beginning in the first interim or annual reporting period ending on or after December 15, 2009 and should be applied retrospectively to the first period Statement 160 was adopted. The adoption of this guidance did not have a material impact on the Company's financial position or results of operation.

In January 2010, the FASB issued ASU 2010-04, *Accounting for Various Topics – Technical Corrections to SEC Paragraphs*. ASU 2010-04 makes technical corrections to existing SEC guidance including the following topics: accounting for subsequent investments, termination of an interest rate swap, issuance of financial statements - subsequent events, use of residual method to value acquired assets other than goodwill, adjustments in assets and liabilities for holding gains and losses, and selections of discount rate used for measuring defined benefit obligation. ASU 2010-04 is effective January 15, 2010. The adoption of this guidance did not have a material impact on the Company's financial position or results of operation.

In January 2010, the FASB issued ASU 2010-05, *Compensation – Stock Compensation (Topic 718): Escrowed Share Arrangements and the Presumption of Compensation*. ASU 2010-05

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updates existing guidance to address the SEC staff's views on overcoming the presumption that for certain shareholders escrowed share arrangements represent compensation. ASU 2010-05 is effective January 15, 2010. The adoption of this guidance did not have a material impact on the Company's financial position or results of operation.

In January 2010, the FASB issued ASU No. 2010-06, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements*. ASU 2010-06 amends Subtopic 820-10 to clarify existing disclosures, require new disclosures, and includes conforming amendments to guidance on employers' disclosures about postretirement benefit plan assets. ASU 2010-06 is effective for interim and annual periods beginning after December 15, 2009, except for disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years. The Company has presented the necessary disclosures in Note 4 (Net Periodic Benefit Cost-Defined Benefit Plans) herein.

In February 2010, the FASB issued ASU 2010-08, *Technical Corrections to Various Topics*. ASU 2010-08 clarifies guidance on embedded derivatives and hedging. ASU 2010-08 is effective for interim and annual periods beginning after December 15, 2009. The adoption of this guidance did not have a material impact on the Company's financial position or results.

In March 2010, the FASB issued ASU 2010-11, *Derivatives and Hedging*. ASU 2010-11 provides clarification and related additional examples to improve financial reporting by resolving potential ambiguity about the breadth of the embedded credit derivative scope exception in ASC 815-15-15-8. ASU 2010-11 is effective at the beginning of the first fiscal quarter beginning after June 15, 2010. The adoption of this guidance is not expected to have a significant impact on the Company's financial statements.

In April 2010, the FASB issued ASU 2010-13, *Compensation - Stock Compensation (Topic 718): Effect of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in Which the Underlying Equity Security Trades*. ASU 2010-13 provides guidance on the classification of a share-based payment award as either equity or a liability. A share-based payment that contains a condition that is not a market, performance, or service condition is required to be classified as a liability. ASU 2010-13 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2010 and is not expected to have a significant impact on the Company's financial statements.

Note 3. Per Share Data

There are no convertible securities which would affect the denominator in calculating basic and dilutive earnings per share. Net income as presented on the consolidated statement of income will be used as the numerator. The following table sets forth the composition of the weighted average common shares (denominator) used in the basic and dilutive per share computation.

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	Three Months Ended March 31,	
	2010	2009
Weighted average common shares issued	4,013,324	4,010,775
Average treasury stock shares	(179,028)	(179,028)
Weighted average common shares and common stock equivalents used to calculate basic earnings per share	3,834,296	3,831,747
Additional common stock equivalents (stock options) used to calculate diluted earnings per share	152	
Weighted average common shares and common stock equivalents used to calculate diluted earnings per share	3,834,448	3,831,747

Options to purchase 990 shares of common stock at a strike price of \$24.72 were outstanding during the three months ended March 31, 2010. The average market price of the Company's stock was \$32.23 for the three months ended March 31, 2010. Options to purchase 1,980 shares of common stock were outstanding during the three months ended March 31, 2009 but were not included in the computation of diluted earnings per share as they were anti-dilutive due to the strike price range being greater than the average market price for the three months ended March 31, 2009.

Note 4. Net Periodic Benefit Cost-Defined Benefit Plans

For a detailed disclosure on the Company's pension and employee benefits plans, please refer to Note 12 of the Company's Consolidated Financial Statements included in the Annual Report on Form 10-K for the year ended December 31, 2009.

The following sets forth the components of the net periodic benefit cost of the domestic non-contributory defined benefit plan for the three months ended March 31, 2010 and 2009, respectively:

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(In Thousands)	Three Months Ended March 31,	
	2010	2009
Service cost	\$ 132	\$ 136
Interest cost	171	170
Expected return on plan assets	(161)	(127)
Amortization of transition obligation	(1)	(1)
Amortization of prior service cost	6	6
Amortization of net loss	36	85
Net periodic cost	\$ 183	\$ 269

The following table sets forth by level, within the fair value hierarchy detailed in Note 8 (Fair Value Measurements), the Plan's assets at fair value as of March 31, 2010:

(In Thousands)	March 31, 2010				Total			
	Level I	Level II	Level III					
Assets:								
Cash and cash equivalents	\$ 46	\$	\$	\$	46			
Mutual funds - taxable fixed income	3,343				3,343			
Mutual funds - domestic equity	4,038				4,038			
Mutual funds - international equity	1,020				1,020			
Total assets at fair value	\$ 37,986	(671)	(1.8)	77,327				
Overseas	126	287	(161)	(56.1)	1,238			
Other	46,513	8.5	46,685	9.4	(172)	(0.4)	92,077	8.8
Domestic	46,387	8.5	46,398	9.3	(11)	(0.0)	90,839	8.7
Overseas	126	0.0	287	0.1	(161)	(56.1)	1,238	0.1
Total	549,039	100.0	496,229	100.0	52,810	10.6	1,051,040	100.0
Domestic	274,801	50.1	279,459	56.3	(4,658)	(1.7)	630,811	60.0
Overseas	274,238	49.9	216,770	43.7	57,468	26.5	420,229	40.0

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Anticipated Consolidated Net Sales by Industry Segment

(In billions of yen)

	Year ending		Year ended		Change	
	Mar. 31, 2007		Mar. 31, 2006		Amount	%
	Amount	%	Amount	%	Amount	%
Domestic	263.0		267.3		(4.3)	(1.6)
Overseas	458.0		391.5		66.5	17.0
Internal Combustion Engine & Machinery	721.0	65.0	658.8	62.7	62.2	9.4
Domestic	165.0		167.2		(2.2)	(1.3)
Overseas	29.0		22.5		6.5	28.9
Pipes, Valves & Industrial Castings	194.0	17.5	189.7	18.0	4.3	2.3
Domestic	92.0		105.5		(13.5)	(12.8)
Overseas	7.0		5.0		2.0	40.0
Environmental Engineering	99.0	8.9	110.5	10.5	(11.5)	(10.4)
Domestic	95.0		90.8		4.2	4.6
Overseas	1.0		1.2		(0.2)	(16.7)
Other	96.0	8.6	92.0	8.8	4.0	4.3
Grand Total	1,110.0	100.0	1,051.0	100.0	59.0	5.6
Domestic	615.0	55.4	630.8	60.0	(15.8)	(2.5)
Overseas	495.0	44.6	420.2	40.0	74.8	17.8

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(Unaudited)

(1) The date of the Board of Directors Meeting Tuesday, November 7, 2006

(2) Payment date of interim dividends Tuesday, December 5, 2006

(3) Results of operations (In millions of yen except per ADS information)

	Six months ended	Change	Six months ended	Change	Year ended
	Sept. 30, 2006	(*)	Sept. 30, 2005	(*)	Mar. 31, 2006
Net sales	¥ 322,835	3.0%	¥ 313,573	10.4%	¥ 693,503
Operating income	¥ 34,735	17.0%	¥ 29,688	57.4%	¥ 74,766
% of net sales	10.8%		9.5%		10.8%
Ordinary income	¥ 38,471	21.9%	¥ 31,562	28.2%	¥ 81,032
% of net sales	11.9%		10.1%		11.7%
Net income	¥ 22,464	5.6%	¥ 21,273	4.9%	¥ 47,630
% of net sales	7.0%		6.8%		6.9%
Net income per ADS (5 common shares)	¥ 87		¥ 82		¥ 182
Notes to results of operations :					

1. Weighted-average number of shares outstanding during the six months ended September 30, 2006 1,298,237,826
Weighted-average number of shares outstanding during the six months ended September 30, 2005 1,303,363,924
Weighted-average number of shares outstanding during the year ended March 31, 2006 1,304,491,173

2. (*) represents percentage change from the comparable previous period.

(4) Cash dividends

Interim cash dividends per ADS (5 common shares) for the six months ended September 30, 2006	¥ 25
Interim cash dividends per ADS (5 common shares) for the six months ended September 30, 2005	¥ 20
Cash dividends per ADS (5 common shares) for the fiscal year ended March 31, 2006	¥ 50

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(5) Financial position

(In millions of yen except per ADS information)

	Sept. 30, 2006	Sept. 30, 2005	Mar. 31, 2006
Total assets	¥ 905,989	¥ 848,535	¥ 922,838
Shareholders' equity	¥ 485,208	¥ 452,249	¥ 484,759
Ratio of shareholders' equity to total assets	53.6%	53.3%	52.5%
Shareholders' equity per ADS (5 common shares)	¥ 1,873	¥ 1,718	¥ 1,864
Notes to financial position:			

Number of shares outstanding as of September 30, 2006	1,295,073,809
Number of shares outstanding as of September 30, 2005	1,316,117,218
Number of shares outstanding as of March 31, 2006	1,299,845,909
Number of treasury stocks as of September 30, 2006	4,795,371
Number of treasury stocks as of September 30, 2005	1,051,962
Number of treasury stocks as of March 31, 2006	23,271

(6) Anticipated annual results of operations

(In millions of yen except per ADS information)

	Year ending Mar. 31, 2007
Net sales	¥ 702,000
Ordinary income	¥ 78,500
Net income	¥ 45,500
Annual dividends per ADS (5 common shares)	
Net income per ADS (5 common shares)	¥ 176
Notes to anticipated results of operations for the year ending March 31, 2007 :	

1. The non-consolidated financial information is prepared in accordance with accounting principles generally accepted in Japan and includes the information of the parent company only. It should not be confused with condensed consolidated financial information.
2. All figures in the non-consolidated financial information have been rounded down except per ADS information.
3. Forecast of cash dividends per ADS is not disclosed.
4. Please refer to page 8-10 for further information related to the anticipated results of operations mentioned above.

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November 7, 2006

To whom it may concern

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Finance & Accounting Department

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Notice on interim dividend

Please be advised that Kubota Corporation (hereinafter the Company) resolved at the Board of Directors Meeting held on November 7, 2006 that the Company would pay interim dividend.

1. Details of interim dividend

- 1) Record date: September 30, 2006
- 2) Interim dividend per ADS: ¥25
- 3) Date of payment: December 5, 2006
- 4) Resource of interim dividend: Retained earnings

2. Reasons for raising interim dividend

For the prior year, the Company raised the annual dividend per ADS from past ¥40 to ¥50. The Company decided to pay a half of the prior year's annual dividend as interim dividend of this fiscal year.

(Reference)

(Unit: ¥ per ADS)

	Interim dividend		Year-end dividend		Annual dividend
This fiscal year					
(Year ending March 31, 2007)	¥	25		Not yet determined	Not yet determined
The prior year					
(Year ended March 31, 2006)	¥	20	¥	30	¥ 50
End of document					

< Cautionary Statements 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, continued competitive pricing pressures in the marketplace, as well as the Company's ability to continue to gain acceptance of its products.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

KUBOTA CORPORATION

Date: December 4, 2006

By: /s/ Shigeru Kimura
Name: Shigeru Kimura
Title: General Manager
Finance & Accounting Department