FOR IMMEDIATE RELEASE

May 10, 2018

KUBOTA Corporation
Contact: IR Group
Global Management Promotion Dept.
2-47, Shikitsuhigashi 1-chome,
Naniwa-ku, Osaka 556-8601, Japan
Phone: +81-6-6648-2645

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2018 [IFRS]

Kubota Corporation hereby reports its consolidated results for the three months ended March 31, 2018.

Consolidated Financial Highlights

1. Consolidated results of operations for the three months ended March 31, 2018

(1) Results of operations

(In millions of yen, except per common share amounts)

	Three months ended Mar. 31, 2018	Change [%]	Three months ended Mar. 31, 2017	Change [%]
Revenue	¥ 428,621	5.9	¥ 404,858	-
Operating profit	¥ 43,892	9.0	¥ 40,254	-
Profit before income taxes	¥ 45,034	2.6	¥ 43,883	-
Profit for the period	¥ 32,733	3.7	¥ 31,570	-
Profit attributable to owners of the parent	¥ 29,869	1.5	¥ 29,416	-
Comprehensive (loss) income for the period	(¥ 15,296)	-	¥ 11,744	-
Earnings per share attributable to owners of the parent:				
Basic	¥ 24.21		¥ 23.73	
Diluted	-		-	

(2) Financial condition

(In millions of yen)

	Mar. 31, 2018	Dec. 31, 2017
Total assets	¥ 2,748,187	¥ 2,832,364
Total equity	¥ 1,344,915	¥ 1,375,568
Equity attributable to owners of the parent	¥ 1,258,067	¥ 1,291,094
Ratio of equity attributable to owners of the parent to total assets	45.8%	45.6%

Notes:

Change [%] represents the percentage change from the same period in the prior year.

2. Cash dividends

(In yen)

	Cash dividends per common share		
	Interim	Year-end	Total
Year ending Dec. 31, 2018	Undecided	Undecided	Undecided
Year ended Dec. 31, 2017	¥ 15.00	¥ 17.00	¥ 32.00

Note:

Although Kubota Corporation's basic policy for the return of profit to shareholders is to maintain stable dividends and raise dividends, the specific amount of cash dividends for each fiscal year is decided in consideration of the development of business performance, financial condition, and shareholder return ratio calculated from dividends and share buy-backs. The specific amount of cash dividends for the year ending December 31, 2018 has not been decided at this time and Kubota Corporation will publicize the amount as soon as a decision is made.

3. Forecasts of operations for the year ending December 31, 2018

(In millions of yen, except per common share amounts)

	Six months ending June 30, 2018	Change [%]	Year ending Dec. 31, 2018	Change [%]
Revenue	¥ 920,000	8.6	¥ 1,820,000	3.9
Operating profit	¥ 109,000	8.8	¥ 213,000	6.5
Profit before income taxes	¥ 112,000	3.0	¥ 219,000	2.3
Profit attributable to owners of the parent	¥ 77,000	8.4	¥ 151,000	12.6
Basic earnings per share attributable to owners of the parent	¥ 62.40		¥ 122.36	

Notes:

1. Change [%] represents the percentage change from the same period in the prior year.
2. Please refer to the accompanying materials, "1. Review of operations and financial condition (3) Forecasts for the year ending December 31, 2018" on page 6 for further information related to the forecasts of operations.
3. Because the International Financial Reporting Standards (hereinafter "IFRS") figures for the results for the year ended December 31, 2017, which have been used to calculate percentage changes from the prior year or the same period in the prior year, in the earnings release announced on February 14, 2018 were approximate values, the percentage changes have been changed.

4. Other information

(1) Changes in significant subsidiaries during the three months under review (changes in specified subsidiaries resulting in the changes in scope of consolidation): None

(2) Changes in accounting policies and changes in accounting estimates
   a) Changes in accounting policies required by IFRS: Yes
   b) Changes in accounting policies due to reasons other than a) above: None
   c) Changes in accounting estimates: None

Note:
See the accompanying materials, "2. Other information (2) Changes in accounting policies" on page 7.

(3) Number of common shares issued

a)	Number of common shares issued including treasury shares as of March 31, 2018	:	1,234,024,216
	Number of common shares issued including treasury shares as of December 31, 2017	:	1,234,024,216
b)	Number of treasury shares as of March 31, 2018	:	362,579
	Number of treasury shares as of December 31, 2017	:	362,159
c)	Weighted-average number of common shares outstanding during the three months ended March 31, 2018	:	1,233,658,935
	Weighted-average number of common shares outstanding during the three months ended March 31, 2017	:	1,239,780,118

(Adoption of International Financial Reporting Standards)

Kubota Corporation has adopted IFRS from the beginning of the fiscal year ending December 31, 2018. Accordingly, financial figures for the three months ended March 31, 2017 and the year ended December 31, 2017 are also reclassified in accordance with IFRS.

Please refer to the accompanying materials, "3. Condensed consolidated financial statements (8) First-time adoption of IFRS" on page 15 for further information related to the effects of the transition from accounting principles generally accepted in the United States of America to IFRS.

(Information on the status of the quarterly review by the independent auditor)

This release has not been reviewed in accordance with the Financial Instruments and Exchange Act of Japan by the independent auditor because this release is not subject to a quarterly review.

As of the date of this release, the condensed consolidated financial statements for the three months ended March 31, 2018 of Kubota Corporation and its subsidiaries (hereinafter, the "Company") are being subjected to quarterly review procedures.

(Method of obtaining supplementary materials on the financial results)

The Company plans to hold a results presentation (conference call) for institutional investors and securities analysts on May 10, 2018. The supplementary material will be published on the Company's website on May 10, 2018.

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

Index to accompanying materials

1. Review of operations and financial condition 4
(1) Summary of the results of operations for the three-month period 4
(2) Financial condition 5
(3) Forecasts for the year ending December 31, 2018 6
2. Other information 7
(1) Changes in significant subsidiaries 7
(2) Changes in accounting policies 7
3. Condensed consolidated financial statements 8
(1) Condensed consolidated statement of financial position 8
(2) Condensed consolidated statement of profit or loss 10
(3) Condensed consolidated statement of comprehensive income 11
(4) Condensed consolidated statement of changes in equity 12
(5) Condensed consolidated statement of cash flows 13
(6) Notes to the going concern assumption 14
(7) Consolidated segment information 14
(8) First-time adoption of IFRS 15
(9) Consolidated revenue by product group 28
(10) Anticipated consolidated revenue by reportable segment 29

1. Review of operations and financial condition

(1) Summary of the results of operations for the three–month period

Kubota Corporation has adopted International Financial Reporting Standards (hereinafter "IFRS") instead of accounting principles generally accepted in the United States of America (hereinafter "U.S. GAAP") from the beginning of the fiscal year ending December 31, 2018. In addition, financial figures for the three months ended March 31, 2017 and the year ended December 31, 2017, which were prepared in accordance with U.S. GAAP in the reporting of those previous periods, are also reclassified in accordance with IFRS and used in the comparative analysis.

For the three months ended March 31, 2018, revenue of Kubota Corporation and its subsidiaries (hereinafter, the "Company") increased by ¥23.8 billion [5.9%] from the same period in the prior year to ¥428.6 billion.

Domestic revenue increased by ¥4.6 billion [3.2%] from the same period in the prior year to ¥149.3 billion because of increased revenue in all reportable segments, such as Farm & Industrial Machinery, Water & Environment, and Other.

Overseas revenue increased by ¥19.2 billion [7.4%] from the same period in the prior year to ¥279.3 billion. Revenue in Farm & Industrial Machinery increased due to strong sales of construction machinery. Revenue in Water & Environment increased as well due to increased sales of ductile iron pipes and pumps.

Operating profit increased by ¥3.6 billion [9.0%] from the same period in the prior year to ¥43.9 billion. The increase was due to the positive effect from increased sales in the domestic and overseas markets and the yen depreciation against the Euro, while there was a negative effect from the increased selling expenses, and the increased other expenses resulting from the deteriorated foreign exchange gain/loss. Profit before income taxes increased by ¥1.2 billion [2.6%] from the same period in the prior year to ¥45.0 billion due to increased operating profit, while finance income, which previously included gain on sales of securities, decreased from the same period in the prior year. Income tax expenses were ¥12.5 billion, and profit for the period increased by ¥1.2 billion [3.7%] to ¥32.7 billion from the same period in the prior year. Profit attributable to owners of the parent increased by ¥0.5 billion [1.5%] from the same period in the prior year to ¥29.9 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 6.2% from the same period in the prior year to ¥339.4 billion and accounted for 79.2% of consolidated revenue.

Domestic revenue increased by 4.9% to ¥72.1 billion since sales of farm equipment, engines, and construction machinery increased, while there was a negative effect from the withdrawal from the vending machinery business.

Overseas revenue increased by 6.6% to ¥267.3 billion. In North America, sales of construction machinery, engines, and tractors increased due to solid demand in each market, while there was a negative effect from the yen appreciation against the U.S. dollar. In Europe, sales of construction machinery continued to be solid in addition to favorable foreign exchange rate of the yen against the Euro and the British pound sterling. In Asia outside Japan, revenue decreased as sales of farm equipment in China decreased significantly due to the negative effect from delayed announcement of the government subsidy budget for purchasers of farm equipment. In Thailand, sales of tractors were solid due to recovered demand in response to a rise in prices of

rice and cassava. In addition, sales of tractors in India increased mainly due to the positive effect from the new model of multi-purpose tractors introduced in the prior year.

Operating profit in Farm & Industrial Machinery increased by 24.0% from the same period in the prior year to ¥47.0 billion mainly due to the positive effect from increased sales in the domestic and overseas markets and the yen depreciation against the Euro.

2) Water & Environment

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

Revenue in this segment increased by 4.7% from the same period in the prior year to ¥81.3 billion and accounted for 19.0% of consolidated revenue.

Domestic revenue increased by 1.6% from the same period in the prior year to ¥69.4 billion. Revenue from pipe-related products increased due to increased sales of pumps and construction business, while sales of ductile iron pipes were weak. Revenue from social infrastructure-related products increased because sales of industrial castings and spiral-welded steel pipes for civil engineering work increased. On the other hand, revenue from environment-related products decreased due to a decrease in sales of waste water treatment equipment and plants.

Overseas revenue increased by 27.3% to ¥11.9 billion. Export sales of ductile iron pipes and pumps to the Middle East increased significantly.

Operating profit in Water & Environment decreased by 19.4% from the same period in the prior year to ¥8.8 billion mainly due to deterioration of product mix sold resulting from increased overseas sales.

3) Other

Other is comprised of a variety of services.

Revenue in this segment increased by 2.1% from the same period in the prior year to ¥7.9 billion and accounted for 1.8% of consolidated revenue.

Operating profit in Other decreased by 10.7% to ¥0.7 billion.

(2) Financial condition

1) Assets, liabilities, and equity

Total assets at March 31, 2018 were ¥2,748.2 billion, a decrease of ¥84.2 billion from the prior fiscal year-end. With respect to assets, cash and cash equivalents decreased. In addition, the yen value of assets denominated in foreign currencies, such as finance receivables, decreased due to the yen appreciation mainly against the U.S. dollar compared to the prior fiscal year-end.

With respect to liabilities, the yen value of bonds and borrowings decreased due to the yen appreciation. In addition, current income taxes payable decreased as well. Equity attributable to owners of the parent decreased due to a deterioration in other components of equity in response to fluctuations in foreign exchange rates and prices of securities, while retained earnings increased. The ratio of equity attributable to owners of the parent to total assets stood at 45.8%, 0.2 percent higher than at the prior fiscal year-end.

2) Cash flows

Net cash used in operating activities during the three months ended March 31, 2018 was ¥19.5 billion, an increase of ¥16.8 billion in net cash outflow compared with the same period in the prior year. This increase resulted mainly from an increase in income taxes paid, while profit for the period increased.

Net cash used in investing activities was ¥16.0 billion, a decrease of ¥1.6 billion in cash outflow compared with the same period in the prior year. This decrease was mainly due to a decrease in cash outflow related to acquisition of property, plant, and equipment and intangible assets, while there was a decrease in cash inflow of proceeds from sales and redemption of securities.

Net cash used in financing activities was ¥15.1 billion, a decrease of ¥1.6 billion in cash outflow compared with the same period in the prior year. This decrease was mainly due to a decrease in cash outflow related to purchases of treasury shares.

As a result of the above, and after taking into account the effects from exchange rate changes, cash and cash equivalents at March 31, 2018 were ¥178.7 billion, a decrease of ¥52.0 billion from the beginning of the current period.

(3) Forecasts for the year ending December 31, 2018

The forecasts of the results of operations for the year ending December 31, 2018, which were announced on February 14, 2018, remain unchanged.

These forecasts are based on the assumption of exchange rates of ¥110=USD1 and ¥130=EUR1.

2. Other information

(1) Changes in significant subsidiaries

None

(2) Changes in accounting policies

In accordance with exemptions from the retrospective application of IFRS 7 “Financial Instruments: Disclosures” (hereinafter, “IFRS 7”) and IFRS 9 “Financial Instruments (2014)” (hereinafter, “IFRS 9”) under IFRS 1 “First-time Adoption of International Financial Reporting Standards” (hereinafter, “IFRS 1”), the Company applied U.S. GAAP, the previous accounting standards for the comparative information.

Differences between carrying amounts under U.S. GAAP and carrying amounts under IFRS 9 as of January 1, 2018 were accounted for as adjustments of retained earnings and other components of equity.

As of January 1, 2018, the application of IFRS 9 increased other financial assets, finance receivables, deferred tax liabilities, other components of equity, retained earnings, and non-controlling interests by ¥4,706 million, ¥2,979 million, ¥1,434 million, ¥3,262 million, ¥1,377 million, and ¥1,014 million, respectively and decreased deferred tax assets by ¥598 million. Effects on profit attributable to owners of the parent for the three months ended March 31, 2018 are not material.

3. Condensed consolidated financial statements

(1) Condensed consolidated statement of financial position

Assets (In millions of yen)

	Mar. 31, 2018		Dec. 31, 2017		Change	Jan. 1, 2017 (Transition date)	
	Amount	%	Amount	%	Amount	Amount	%
Current assets:							
Cash and cash equivalents	178,706		230,720		(52,014)	169,416	
Trade receivables	658,575		639,083		19,492	623,410	
Finance receivables	238,016		250,684		(12,668)	230,925	
Other financial assets	55,953		51,515		4,438	63,710	
Inventories	377,365		358,854		18,511	352,598	
Income taxes receivable	17,163		20,787		(3,624)	17,325	
Other current assets	48,697		56,783		(8,086)	52,414	
Total current assets	1,574,475	57.3	1,608,426	56.8	(33,951)	1,509,798	57.3
Non-current assets:							
Investments accounted for using the equity method	29,566		29,333		233	28,505	
Finance receivables	530,465		559,479		(29,014)	491,444	
Other financial assets	179,567		188,738		(9,171)	184,854	
Property, plant, and equipment	314,690		321,741		(7,051)	301,866	
Goodwill and intangible assets	46,032		46,983		(951)	40,340	
Deferred tax assets	44,714		48,987		(4,273)	50,698	
Other non-current assets	28,678		28,677		1	26,275	
Total non-current assets	1,173,712	42.7	1,223,938	43.2	(50,226)	1,123,982	42.7
Total assets	2,748,187	100.0	2,832,364	100.0	(84,177)	2,633,780	100.0

Liabilities and equity (In millions of yen)

	Mar. 31, 2018		Dec. 31, 2017		Change	Jan. 1, 2017 (Transition date)	
	Amount	%	Amount	%	Amount	Amount	%
Current liabilities:							
Bonds and borrowings	369,308		363,488		5,820	338,488	
Trade payables	296,065		286,121		9,944	255,859	
Other financial liabilities	39,839		39,561		278	45,148	
Income taxes payable	13,777		37,221		(23,444)	19,650	
Provisions	20,518		21,213		(695)	17,387	
Other current liabilities	173,887		169,849		4,038	157,872	
Total current liabilities	913,394	33.3	917,453	32.4	(4,059)	834,404	31.7
Non-current liabilities:							
Bonds and borrowings	429,298		470,613		(41,315)	476,871	
Other financial liabilities	4,279		3,621		658	1,919	
Retirement benefit liabilities	12,525		12,943		(418)	12,091	
Deferred tax liabilities	33,567		41,175		(7,608)	35,861	
Other non-current liabilities	10,209		10,991		(782)	5,560	
Total non-current liabilities	489,878	17.8	539,343	19.0	(49,465)	532,302	20.2
Total liabilities	1,403,272	51.1	1,456,796	51.4	(53,524)	1,366,706	51.9
Equity:							
Share capital	84,100		84,100		—	84,070	
Share premium	85,052		85,037		15	84,605	
Retained earnings	1,050,727		1,040,207		10,520	954,819	
Other components of equity	38,363		81,924		(43,561)	70,463	
Treasury shares, at cost	(175)		(174)		(1)	(192)	
Equity attributable to owners of the parent	1,258,067	45.8	1,291,094	45.6	(33,027)	1,193,765	45.3
Non-controlling interests	86,848	3.1	84,474	3.0	2,374	73,309	2.8
Total equity	1,344,915	48.9	1,375,568	48.6	(30,653)	1,267,074	48.1
Total liabilities and equity	2,748,187	100.0	2,832,364	100.0	(84,177)	2,633,780	100.0

(2) Condensed consolidated statement of profit or loss

(In millions of yen, except per share amount)

	Three months ended Mar. 31, 2018		Three months ended Mar. 31, 2017		Change	
	Amount	%	Amount	%	Amount	%
Revenue	428,621	100.0	404,858	100.0	23,763	5.9
Cost of sales	(299,123)		(289,736)		(9,387)	
Selling, general, and administrative expenses	(80,358)		(73,103)		(7,255)	
Other income	343		423		(80)	
Other expenses	(5,591)		(2,188)		(3,403)	
Operating profit	43,892	10.2	40,254	9.9	3,638	9.0
Finance income	4,614		7,246		(2,632)	
Finance costs	(3,472)		(3,617)		145	
Profit before income taxes	45,034	10.5	43,883	10.8	1,151	2.6
Income tax expenses	(12,545)		(12,558)		13	
Share of profits of investments accounted for using the equity method	244		245		(1)	
Profit for the period	32,733	7.6	31,570	7.8	1,163	3.7
Profit attributable to:						
Owners of the parent	29,869	7.0	29,416	7.3	453	1.5
Non-controlling interests	2,864	0.6	2,154	0.5	710	33.0
Earnings per share attributable to owners of the parent:						
Basic	24.21		23.73			
Diluted	—		—			

(3)Condensed consolidated statement of comprehensive income

(In millions of yen)

	Three months ended Mar. 31, 2018	Three months ended Mar. 31, 2017	Change
Profit for the period	32,733	31,570	1,163
Other comprehensive (loss) income, net of tax:			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit pension plans	253	298	(45)
Net changes in financial assets measured at fair value through other comprehensive income	(9,319)	—	(9,319)
Items that may be reclassified to profit or loss			
Exchange differences on translating foreign operations	(38,963)	(17,139)	(21,824)
Unrealized losses on securities	—	(2,985)	2,985
Total other comprehensive loss, net of tax	(48,029)	(19,826)	(28,203)
Comprehensive (loss) income for the period	(15,296)	11,744	(27,040)

Comprehensive (loss) income for the period attributable to:			
Owners of the parent	(16,702)	9,199	(25,901)
Non-controlling interests	1,406	2,545	(1,139)

(4) Condensed consolidated statement of changes in equity

(In millions of yen)

	Equity attributable to owners of the parent							
	Share capital	Share premium	Retained earnings	Other components of equity	Treasury shares, at cost	Total	Non-controlling interests	Total equity
Balance at Jan. 1, 2018	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			29,869			29,869	2,864	32,733
Other comprehensive loss for the period, net of tax				(46,571)		(46,571)	(1,458)	(48,029)
Comprehensive loss for the period			29,869	(46,571)		(16,702)	1,406	(15,296)
Reclassified into retained earnings			252	(252)		—		—
Dividends paid			(20,978)			(20,978)	(55)	(21,033)
Purchases and sales of treasury shares					(1)	(1)		(1)
Restricted stock compensation		15				15		15
Changes in ownership interests in subsidiaries						—	9	9
Balance at Mar. 31, 2018	84,100	85,052	1,050,727	38,363	(175)	1,258,067	86,848	1,344,915

(In millions of yen)

	Equity attributable to owners of the parent							
	Share capital	Share premium	Retained earnings	Other components of equity	Treasury shares, at cost	Total	Non-controlling interests	Total equity
Balance at Jan. 1, 2017	84,070	84,605	954,819	70,463	(192)	1,193,765	73,309	1,267,074
Profit for the period			29,416			29,416	2,154	31,570
Other comprehensive loss for the period, net of tax				(20,217)		(20,217)	391	(19,826)
Comprehensive income for the period			29,416	(20,217)		9,199	2,545	11,744
Reclassified into retained earnings			302	(302)		—		—
Dividends paid			(19,857)			(19,857)	(45)	(19,902)
Purchases and sales of treasury shares					(3,211)	(3,211)		(3,211)
Changes in ownership interests in subsidiaries		238				238	1,465	1,703
Balance at Mar. 31, 2017	84,070	84,843	964,680	49,944	(3,403)	1,180,134	77,274	1,257,408

(5) Condensed consolidated statement of cash flows

(In millions of yen)

	Three months ended Mar. 31, 2018	Three months ended Mar. 31, 2017	Change
Operating activities:			
Profit for the period	32,733	31,570	
Depreciation and amortization	11,965	10,959	
Finance income and costs	(1,137)	(3,477)	
Income tax expenses	12,545	12,558	
Increase in trade receivables	(34,991)	(23,086)	
(Increase) decrease in finance receivables	(884)	1,613	
Increase in inventories	(31,415)	(16,515)	
Decrease in other assets	8,626	15,970	
Increase (decrease) in trade payables	13,973	(15,244)	
Increase (decrease) in other liabilities	8,410	(112)	
Other	(4,351)	(1,929)	
Interest received	896	899	
Dividends received	323	287	
Interest paid	(121)	(350)	
Income taxes paid	(36,039)	(15,849)	
Net cash used in operating activities	(19,467)	(2,706)	(16,761)
Investing activities:			
Acquisition of property, plant, and equipment and intangible assets	(8,294)	(12,935)	
Proceeds from sales and redemption of securities	245	3,914	
Net increase in short-term loans receivable from associates	(3,289)	(1,968)	
Net increase in time deposits	(6,426)	(4,447)	
Net decrease in marketable securities	2,401	—	
Other	(588)	(2,150)	
Net cash used in investing activities	(15,951)	(17,586)	1,635
Financing activities:			
Funding from bonds and borrowings	20,928	56,681	
Redemptions of bonds and repayments of borrowings	(72,046)	(49,148)	
Net increase (decrease) in short-term borrowings	57,034	(1,148)	
Payments of cash dividends	(20,978)	(19,857)	
Purchases of treasury shares	(1)	(3,211)	
Other	(55)	(12)	
Net cash used in financing activities	(15,118)	(16,695)	1,577
Effect of exchange rate changes on cash and cash equivalents	(1,478)	(661)	(817)
Net decrease in cash and cash equivalents	(52,014)	(37,648)	
Cash and cash equivalents, beginning of period	230,720	169,416	
Cash and cash equivalents, end of period	178,706	131,768	46,938

(6) Notes to the going concern assumption

None

(7) Consolidated segment information

a) Reportable segments

Three months ended March 31, 2018 (In millions of yen)

		Farm & Industrial Machinery	Water & Environment	Other	Adjustments	Consolidated
Revenue	External customers	339,436	81,274	7,911	—	428,621
	Intersegment	121	315	6,417	(6,853)	—
	Total	339,557	81,589	14,328	(6,853)	428,621
Operating profit		46,958	8,782	724	(12,572)	43,892

Three months ended March 31, 2017 (In millions of yen)

		Farm & Industrial Machinery	Water & Environment	Other	Adjustments	Consolidated
Revenue	External customers	319,485	77,621	7,752	—	404,858
	Intersegment	130	393	6,399	(6,922)	—
	Total	319,615	78,014	14,151	(6,922)	404,858
Operating profit		37,858	10,896	811	(9,311)	40,254

Notes:

1. "Adjustments" include the elimination of intersegment transfers and unallocated corporate expenses.
2. The aggregated amounts of operating profit are equivalent to those presented in the condensed consolidated statement of profit or loss. 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.

b) Geographic information

Information about revenue from external customers by destination

(In millions of yen)

	Three months ended Mar. 31, 2018	Three months ended Mar. 31, 2017
Japan	149,338	144,731
North America	116,931	106,191
Europe	67,561	59,930
Asia outside Japan	76,439	79,610
Other areas	18,352	14,396
Total	428,621	404,858

Notes:

1. Revenue from North America included that from the United States of ¥100,719 million and ¥90,925 million for the three months ended March 31, 2018 and 2017, respectively.
2. There was no single customer from whom revenue exceeded 10% of total consolidated revenue of the Company.

(8) First-time adoption of IFRS

The consolidated financial statements are prepared in accordance with IFRS for the first time for the year ending December 31, 2018. The latest consolidated financial statements in accordance with U.S. GAAP were prepared for the year ended December 31, 2017 and the date of transition to IFRS (hereinafter, the "transition date") is January 1, 2017.

1) IFRS 1 exemptions

IFRS 1 requires an entity which adopts IFRS for the first time (hereinafter, the "first-time adopter") to apply IFRS retrospectively to prior periods. However, IFRS 1 provides certain exemptions that allow first-time adopters to voluntarily choose not to apply certain standards retrospectively and mandatory exceptions prohibiting retrospective application. The effects of applying IFRS 1 are adjusted in retained earnings or other components of equity at the transition date. Major exemptions adopted by the Company are as follows:

a) Business combinations

IFRS 1 permits a first-time adopter not to apply IFRS 3 "Business Combinations" (hereinafter "IFRS 3") retrospectively to business combinations that occurred prior to the date of transition to IFRS. The Company chose to apply this exemption and did not apply IFRS 3 retrospectively to business combinations that occurred before the transition date. The Company performed impairment tests at the transition date on goodwill arisen from business combinations that occurred prior to transition date regardless of whether there was any indication that goodwill may be impaired.

b) Exchange differences on translating of foreign operations

IFRS 1 permits a first-time adopter to choose to deem the cumulative amount of the exchange differences on translation of foreign operations to be zero as of the transition date. The Company chose to apply this exemption and deemed all the cumulative amount of the exchange differences on translation of foreign operations to be zero at the transition date.

c) Exemptions from retrospective application of IFRS 9

IFRS 1 permits a first-time adopter which adopts IFRS from the year beginning before January 1, 2019 and chooses to apply IFRS 9, the comparative information in its first IFRS financial statements need not be restated in accordance with IFRS 9. The Company chose to apply this exemption, and recognized and measured the comparative information in accordance with the previous accounting standards, U.S. GAAP.

2) Reconciliations from U.S. GAAP to IFRS

The effects of the transition from U.S. GAAP to IFRS on financial position, profit or loss, and cash flows of the Company are shown in the following reconciliations. "Reclassification" includes items that do not affect retained earnings and comprehensive income, while "Recognition and measurement" includes items that affect retained earnings or comprehensive income.

a) Reconciliation of equity as of January 1, 2017, transition date

(In millions of yen)

Presentation under U.S.GAAP	U.S.GAAP	Reclassification	Recognition and measurement	IFRS	Note	Presentation under IFRS
ASSETS						ASSETS
Current assets:						Current assets:
Cash and cash equivalents	169,416			169,416		Cash and cash equivalents
Notes and accounts receivable:						
Trade notes	75,798					
Trade accounts	559,488					
Less: Allowance for doubtful notes and accounts receivable	(2,472)					
Net notes and accounts receivable	632,814	(9,404)		623,410		Trade receivables
Short-term finance receivables-net	244,184	(13,259)		230,925		Finance receivables
		63,710		63,710	A	Other financial assets
Inventories	356,180		(3,582)	352,598	F	Inventories
		17,325		17,325		Income taxes receivable
Other current assets	160,480	(113,611)	5,545	52,414	F	Other current assets
Total current assets	1,563,074	(55,239)	1,963	1,509,798		Total current assets
Investments and long-term finance receivables:						Non-current assets:
Investments in and loans receivable from affiliated companies	28,517	(12)		28,505		Investments accounted for using the equity method
Other investments	140,667	(140,667)				
Long-term finance receivables—net	508,289	(16,845)		491,444		Finance receivables
Total Investments and long-term finance receivables	677,473					
		184,854		184,854	A	Other financial assets
Property, plant, and equipment:						
Land	82,104					
Buildings	292,898					
Machinery and equipment	491,040					
Construction in progress	17,378					
Total property, plant, and equipment	883,420					
Less: Accumulated depreciation	(569,189)					
Net property, plant, and equipment	314,231	(12,526)	161	301,866	C	Property, plant, and equipment
Other assets:						
Goodwill and intangible assets-net	46,057	(2,612)	(3,105)	40,340	B,C	Goodwill and intangible assets
Long-term trade accounts receivable	39,852	(39,852)				
		43,387	7,311	50,698	A,G	Deferred tax assets
Other	30,658	(4,383)		26,275	D	Other non-current assets
Less: Allowance for doubtful non-current receivables	(763)	763				
Total other assets	115,804					
				1,123,982		Total non-current assets
Total assets	2,670,582	(43,132)	6,330	2,633,780		Total assets

(In millions of yen)

Presentation under U.S.GAAP	U.S.GAAP	Reclassification	Recognition and measurement	IFRS	Note	Presentation under IFRS
LIABILITIES AND EQUITY						LIABILITIES AND EQUITY
Current liabilities:						Current liabilities:
Short-term borrowings	193,883	144,605		338,488		Bonds and borrowings
Trade notes payable	157,471	98,388		255,859		Trade payables
Trade accounts payable	98,388	(98,388)				
Advances received from customers	6,927	(6,927)				
Notes and accounts payable for capital expenditures	24,321	(24,321)				
Accrued payroll costs	35,902	(35,902)				
Accrued expenses	64,662	(64,662)				
		45,163	(15)	45,148	A	Other financial liabilities
Income taxes payable	19,650			19,650		Income taxes payable
		17,387		17,387		Provisions
Other current liabilities	90,197	61,220	6,455	157,872	F	Other current liabilities
Current portion of long-term debt	145,212	(145,212)				
Total current liabilities	836,613	(8,649)	6,440	834,404		Total current liabilities
Long-term liabilities:						Non-current liabilities:
Long-term debt	478,894	(2,023)		476,871		Bonds and borrowings
		2,048	(129)	1,919	A	Other financial liabilities
Accrued retirement and pension costs	12,091			12,091	D	Retirement benefit liabilities
		31,983	3,878	35,861	A,G	Deferred tax liabilities
Other long-term liabilities	71,059	(66,491)	992	5,560		Other non-current liabilities
Total long-term liabilities	562,044	(34,483)	4,741	532,302		Total non-current liabilities
				1,366,706		Total liabilities
Equity:						Equity:
Common stock	84,070			84,070		Share capital
Capital surplus	84,605			84,605		Share premium
Legal reserve	19,539	(19,539)				
Retained earnings	961,403	19,539	(26,123)	954,819	H	Retained earnings
Accumulated other comprehensive income	49,336		21,127	70,463	D,E,G	Other components of equity
Treasury stock, at cost	(192)			(192)		Treasury shares, at cost
Total Kubota Corporation shareholders' equity	1,198,761		(4,996)	1,193,765		Total equity attributable to owners of the parent
Non-controlling interests	73,164		145	73,309		Non-controlling interests
Total equity	1,271,925		(4,851)	1,267,074		Total equity
Total liabilities and equity	2,670,582	(43,132)	6,330	2,633,780		Total liabilities and equity

b) Reconciliation of equity as of March 31, 2017

(In millions of yen)

Presentation under U.S.GAAP	U.S.GAAP	Reclassification	Recognition and measurement	IFRS	Note	Presentation under IFRS
ASSETS						ASSETS
Current assets:						Current assets:
Cash and cash equivalents	131,768			131,768		Cash and cash equivalents
Notes and accounts receivable:						
Trade notes	71,821					
Trade accounts	569,544					
Less: Allowance for doubtful notes and accounts receivable	(2,558)					
Net notes and accounts receivable	638,807	(815)		637,992		Trade receivables
Short-term finance receivables-net	234,025	(12,807)		221,218		Finance receivables
		65,703		65,703	A	Other financial assets
Inventories	363,946		(308)	363,638	F	Inventories
		13,078		13,078		Income taxes receivable
Other current assets	112,935	(72,731)	27	40,231	F	Other current assets
Total current assets	1,481,481	(7,572)	(281)	1,473,628		Total current assets
Investments and long-term finance receivables:						Non-current assets:
Investments in and loans receivable from affiliated companies	27,474			27,474		Investments accounted for using the equity method
Other investments	135,074	(135,074)				
Long-term finance receivables—net	498,025	(16,560)		481,465		Finance receivables
Total Investments and long-term finance receivables	660,573					
		177,848		177,848	A	Other financial assets
Property, plant, and equipment:						
Land	83,673					
Buildings	298,485					
Machinery and equipment	492,983					
Construction in progress	11,542					
Total property, plant, and equipment	886,683					
Less: Accumulated depreciation	(575,831)					
Net property, plant, and equipment	310,852	(12,526)	218	298,544	C	Property, plant, and equipment
Other assets:						
Goodwill and intangible assets-net	44,091	(2,567)	(1,809)	39,715	B,C	Goodwill and intangible assets
Long-term trade accounts receivable	39,657	(39,657)				
		46,669	8,971	55,640	G	Deferred tax assets
Other	62,863	(35,453)	(739)	26,671	D	Other non-current assets
Less: Allowance for doubtful non-current receivables	(760)	760				
Total other assets	145,851					
				1,107,357		Total non-current assets
Total assets	2,598,757	(24,132)	6,360	2,580,985		Total assets

(In millions of yen)

Presentation under U.S.GAAP	U.S.GAAP	Reclassification	Recognition and measurement	IFRS	Note	Presentation under IFRS
LIABILITIES AND EQUITY						LIABILITIES AND EQUITY
Current liabilities:						Current liabilities:
Short-term borrowings	184,256	164,631		348,887		Bonds and borrowings
Trade notes payable	127,805	111,543		239,348		Trade payables
Trade accounts payable	111,543	(111,543)				
Advances received from customers	8,086	(8,086)				
Notes and accounts payable for capital expenditures	19,212	(19,212)				
Accrued payroll costs	42,477	(42,477)				
Accrued expenses	63,293	(63,293)				
		35,774	(15)	35,759	A	Other financial liabilities
Income taxes payable	17,541			17,541		Income taxes payable
		16,769		16,769		Provisions
Other current liabilities	83,939	73,468	1,898	159,305	F	Other current liabilities
Current portion of long-term debt	165,222	(165,222)				
Total current liabilities	823,374	(7,648)	1,883	817,609		Total current liabilities
Long-term liabilities:						Non-current liabilities:
Long-term debt	454,648	(1,857)		452,791		Bonds and borrowings
		2,358	(121)	2,237	A	Other financial liabilities
Accrued retirement and pension costs	12,135			12,135	D	Retirement benefit liabilities
		26,185	6,646	32,831	G	Deferred tax liabilities
Other long-term liabilities	48,152	(43,170)	992	5,974		Other non-current liabilities
Total long-term liabilities	514,935	(16,484)	7,517	505,968		Total non-current liabilities
				1,323,577		Total liabilities
Equity:						Equity:
Common stock	84,070			84,070		Share capital
Capital surplus	84,843			84,843		Share premium
Legal reserve	19,539	(19,539)				
Retained earnings	969,130	19,539	(23,989)	964,680	H	Retained earnings
Accumulated other comprehensive income	29,199		20,745	49,944	D,E,G	Other components of equity
Treasury stock, at cost	(3,403)			(3,403)		Treasury shares, at cost
Total Kubota Corporation shareholders' equity	1,183,378		(3,244)	1,180,134		Total equity attributable to owners of the parent
Non-controlling interests	77,070		204	77,274		Non-controlling interests
Total equity	1,260,448		(3,040)	1,257,408		Total equity
Total liabilities and equity	2,598,757	(24,132)	6,360	2,580,985		Total liabilities and equity

c) Reconciliation of equity as of December 31, 2017

(In millions of yen)

Presentation under U.S.GAAP	U.S.GAAP	Reclassification	Recognition and measurement	IFRS	Note	Presentation under IFRS
ASSETS						ASSETS
Current assets:						Current assets:
Cash and cash equivalents	230,720			230,720		Cash and cash equivalents
Notes and accounts receivable:						
Trade notes	77,618					
Trade accounts	573,337					
Less: Allowance for doubtful notes and accounts receivable	(2,792)					
Net notes and accounts receivable	648,163	(9,080)		639,083		Trade receivables
Short-term finance receivables-net	264,748	(14,064)		250,684		Finance receivables
		51,515		51,515	A	Other financial assets
Inventories	362,518		(3,664)	358,854	F	Inventories
		20,787		20,787		Income taxes receivable
Other current assets	109,375	(57,665)	5,073	56,783	F	Other current assets
Total current assets	1,615,524	(8,507)	1,409	1,608,426		Total current assets
Investments and long-term finance receivables:						Non-current assets:
Investments in and loans receivable from affiliated companies	29,362	(30)	1	29,333		Investments accounted for using the equity method
Other investments	145,683	(145,683)				
Long-term finance receivables—net	578,185	(18,706)		559,479		Finance receivables
Total Investments and long-term finance receivables	753,230					
		188,738		188,738	A	Other financial assets
Property, plant, and equipment:						
Land	89,884					
Buildings	313,303					
Machinery and equipment	506,828					
Construction in progress	9,229					
Total property, plant, and equipment	919,244					
Less: Accumulated depreciation	(585,007)					
Net property, plant, and equipment	334,237	(11,550)	(946)	321,741	C	Property, plant, and equipment
Other assets:						
Goodwill and intangible assets-net	47,804	(2,634)	1,813	46,983	B,C	Goodwill and intangible assets
Long-term trade accounts receivable	40,423	(40,423)				
		39,006	9,981	48,987	G	Deferred tax assets
Other	63,609	(28,321)	(6,611)	28,677	D	Other non-current assets
Less: Allowance for doubtful non-current receivables	(897)	897				
Total other assets	150,939					
				1,223,938		Total non-current assets
Total assets	2,853,930	(27,213)	5,647	2,832,364		Total assets

(In millions of yen)

Presentation under U.S.GAAP	U.S.GAAP	Reclassification	Recognition and measurement	IFRS	Note	Presentation under IFRS
LIABILITIES AND EQUITY						LIABILITIES AND EQUITY
Current liabilities:						Current liabilities:
Short-term borrowings	182,461	181,027		363,488		Bonds and borrowings
Trade notes payable	176,987	109,134		286,121		Trade payables
Trade accounts payable	109,134	(109,134)				
Advances received from customers	9,075	(9,075)				
Notes and accounts payable for capital expenditures	17,852	(17,852)				
Accrued payroll costs	37,657	(37,657)				
Accrued expenses	67,003	(67,003)				
		39,561		39,561	A	Other financial liabilities
Income taxes payable	37,221			37,221		Income taxes payable
		21,213		21,213		Provisions
Other current liabilities	99,984	62,977	6,888	169,849	F	Other current liabilities
Current portion of long-term debt	181,698	(181,698)				
Total current liabilities	919,072	(8,507)	6,888	917,453		Total current liabilities
Long-term liabilities:						Non-current liabilities:
Long-term debt	472,422	(1,809)		470,613		Bonds and borrowings
		3,621		3,621	A	Other financial liabilities
Accrued retirement and pension costs	12,804		139	12,943	D	Retirement benefit liabilities
		33,680	7,495	41,175	G	Deferred tax liabilities
Other long-term liabilities	64,197	(54,198)	992	10,991		Other non-current liabilities
Total long-term liabilities	549,423	(18,706)	8,626	539,343		Total non-current liabilities
				1,456,796		Total liabilities
Equity:						Equity:
Common stock	84,100			84,100		Share capital
Capital surplus	85,037			85,037		Share premium
Legal reserve	19,539	(19,539)				
Retained earnings	1,046,237	19,539	(25,569)	1,040,207	H	Retained earnings
Accumulated other comprehensive income	66,606		15,318	81,924	D,E,G	Other components of equity
Treasury stock, at cost	(174)			(174)		Treasury shares, at cost
Total Kubota Corporation shareholders' equity	1,301,345		(10,251)	1,291,094		Total equity attributable to owners of the parent
Non-controlling interests	84,090		384	84,474		Non-controlling interests
Total equity	1,385,435		(9,867)	1,375,568		Total equity
Total liabilities and equity	2,853,930	(27,213)	5,647	2,832,364		Total liabilities and equity

d) Reconciliation of comprehensive income for the three months ended March 31, 2017

(In millions of yen)

Presentation under U.S.GAAP	U.S.GAAP	Reclassification	Recognition and measurement	IFRS	Note	Presentation under IFRS
Revenues	402,823		2,035	404,858	F	Revenue
Cost of revenues	(291,675)		1,939	(289,736)	B,D,F	Cost of sales
Selling, general, and administrative expenses	(71,775)	(306)	(1,022)	(73,103)	D	Selling, general, and administrative expenses
Other operating expenses—net	(23)	23				
		423		423		Other income
		(2,188)		(2,188)		Other expenses
Operating income	39,350	(2,048)	2,952	40,254		Operating profit
Other income (expenses):						
Interest and dividend income	1,115					
Interest expense	(220)					
Gain on sales of securities—net	2,580					
Foreign exchange gain—net	1,106					
Other—net	(3,002)					
Other income (expenses)—net	1,579	(1,579)				
		7,246		7,246		Finance income
		(3,619)	2	(3,617)		Finance costs
Income before income taxes and equity in net income of affiliated companies	40,929		2,954	43,883		Profit before income taxes
Income taxes:						
Current	(17,491)					
Deferred	6,024					
Total income taxes	(11,467)		(1,091)	(12,558)	G	Income tax expenses
Equity in net income of affiliated companies	217		28	245		Share of profits of investments accounted for using the equity method
Net income	29,679		1,891	31,570		Profit for the period
						Profit attributable to:
Net income attributable to Kubota Corporation	27,584		1,832	29,416		owners of the parent
Net income attributable to non-controlling interests	2,095		59	2,154		non-controlling interests

(In millions of yen)

Presentation under U.S.GAAP	U.S.GAAP	Reclassification	Recognition and measurement	IFRS	Note	Presentation under IFRS
Net income	29,679		1,891	31,570		Profit for the period
Other comprehensive income (loss), net of tax:						Other comprehensive income (loss), net of tax
						Items that will not be reclassified to profit or loss
Pension liability adjustments	474		(176)	298	D	Remeasurements of defined benefit pension plans
						Items that may be reclassified to profit or loss
Foreign currency translation adjustments	(17,234)		95	(17,139)		Exchange differences on translating foreign operations
Unrealized losses on securities	(2,986)		1	(2,985)		Unrealized losses on securities
Total other comprehensive loss	(19,746)		(80)	(19,826)		Total other comprehensive loss, net of tax
Comprehensive income	9,933		1,811	11,744		Comprehensive income for the period
						Comprehensive income for the period attributable to:
Comprehensive income attributable to Kubota Corporation	7,447		1,752	9,199		Owners of the parent
Comprehensive income attributable to non-controlling interests	2,486		59	2,545		Non-controlling interests

e) Reconciliation of comprehensive income for the year ended December 31, 2017

(In millions of yen)

Presentation under U.S.GAAP	U.S.GAAP	Reclassification	Recognition and measurement	IFRS	Note	Presentation under IFRS
Revenues	1,751,535		(497)	1,751,038	F	Revenue
Cost of revenues	(1,240,707)		2,154	(1,238,553)	B,D,F	Cost of sales
Selling, general, and administrative expenses	(311,737)	(1,270)	(188)	(313,195)	D	Selling, general, and administrative expenses
Other operating expenses—net	(265)	265				
		2,518	(363)	2,155		Other income
		(1,493)		(1,493)		Other expenses
Operating income	198,826	20	1,106	199,952		Operating profit
Other income (expenses):						
Interest and dividend income	7,383					
Interest expense	(916)					
Gain on sales of securities—net	8,403					
Foreign exchange gain—net	8,112					
Other—net	(8,907)					
Other income (expenses)—net	14,075	(14,075)				
		24,245		24,245		Finance income
		(10,190)		(10,190)		Finance costs
Income before income taxes and equity in net income of affiliated companies	212,901		1,106	214,007		Profit before income taxes
Income taxes:						
Current	(69,856)					
Deferred	(66)					
Total income taxes	(69,922)		(3,255)	(73,177)	G	Income tax expenses
Equity in net income of affiliated companies	2,366		103	2,469		Share of profits of investments accounted for using the equity method
Net income	145,345		(2,046)	143,299		Profit for the year
						Profit attributable to:
Net income attributable to Kubota Corporation	136,445		(2,285)	134,160		owners of the parent
Net income attributable to non-controlling interests	8,900		239	9,139		non-controlling interests

(In millions of yen)

Presentation under U.S.GAAP	U.S.GAAP	Reclassification	Recognition and measurement	IFRS	Note	Presentation under IFRS
Net income	145,345		(2,046)	143,299		Profit for the period
Other comprehensive income (loss), net of tax:						Other comprehensive income (loss), net of tax
						Items that will not be reclassified to profit or loss
Pension liability adjustments	6,102		(3,251)	2,851	D	Remeasurements of defined benefit pension plans
						Items that may be reclassified to profit or loss
Foreign currency translation adjustments	9,099		281	9,380		Exchange differences on translating foreign operations
Unrealized gains on securities	5,895			5,895		Unrealized losses on securities
Total other comprehensive income	21,096		(2,970)	18,126		Total other comprehensive income, net of tax
Comprehensive income	166,441		(5,016)	161,425		Comprehensive income for the period
						Comprehensive income for the period attributable to:
Comprehensive income attributable to Kubota Corporation	153,715		(5,255)	148,460		Owners of the parent
Comprehensive income attributable to non-controlling interests	12,726		239	12,965		Non-controlling interests

2) Notes to reconciliation of equity and comprehensive income

A. Reclassification

The major items of "Reclassification" are as follows:

Presentation of deferred tax assets and liabilities

The Company adopted a new accounting standard which required deferred tax assets and liabilities to be classified as non-current on January 1, 2017. However, the financial statements as of the transition date were prepared under U.S. GAAP without the adoption of this standard. For this reason, on the transition date, deferred tax assets and liabilities were presented separately in current and non-current under U.S. GAAP. Whereas under IFRS, deferred tax assets and liabilities were all presented as non-current.

There was no difference between U.S.GAAP and IFRS in terms of "Reclassification" on the financial statements as of March 31, and December 31, 2017, respectively.

Individual presentation of financial assets and financial liabilities

In accordance with the presentation provisions under IFRS, financial assets and financial liabilities are presented on an individual basis.

B. Capitalization of development expenses

Under U.S. GAAP, costs related to research and development are expensed as incurred.
Whereas under IFRS, certain development expenses which meet the required criteria for capitalization are recognized as intangible assets and amortized over their estimated useful lives on a straight-line method.

C. Impairment of goodwill

When evaluating whether goodwill is impaired under U.S. GAAP, the fair value of the reporting unit including goodwill is compared with its carrying amount. When the fair value of the reporting unit is lower than its carrying amount, the fair value of goodwill is calculated, and if the fair value of goodwill is lower than its carrying amount of goodwill, the difference is recognized as impairment loss of goodwill.
Whereas under IFRS, when the carrying amount of the cash-generating unit including goodwill exceeds its recoverable amount, the excess amount is recognized as impairment loss. For impairment loss arising in the cash-generating unit including goodwill, the Company first impairs goodwill, and when there is any remaining amount, recognizes impairment loss for other assets in the cash-generating unit.
As a result, as of the transition date, impairment of ¥3,982 million, ¥149 million, and ¥1,439 million were recognized on goodwill, property, plant, and equipment, and intangible assets, respectively. The Recoverable amount is measured using the value in use . The value in use is calculated by 7.5% discounted rate, which is the weighted average cost of capital of cash-generating unit. The above impairment was all recognized in the Farm & Industrial Machinery segment.

D. Post-employment benefit

Under U.S. GAAP, for post-employment benefit related to defined benefit pension plans, service cost, interest cost, and expected return on plan assets are recognized in profit or loss. The portion of actuarial gains and losses arising from the defined benefit pension plans and past service cost incurred that was not recognized as a component of retirement benefit expenses for the period is recognized at the amount net of tax in accumulated other comprehensive income (loss). The amount recognized in accumulated other comprehensive income (loss) is subsequently reclassified to income or loss as a component of retirement benefit expenses over a period of time in the future.
Whereas under IFRS, for post-employment benefit related to defined benefit pension plans, current service cost and past service cost are recognized in profit or loss, and the amount calculated by multiplying net defined benefit liability (asset) by the discount rate is recognized as interest expense (income) in profit or loss. Remeasurement of the net defined liability (asset) are recognized at the amount net of tax in other comprehensive income, and transferred from other component of equity directly to retained earnings, not through profit or loss.

E. Exchange differences on translating foreign operations

The Company chose to apply IFRS 1 exemption and deemed full the cumulative amount of the exchange differences on translating foreign operations to be zero at the transition date.

F. Revenue recognition

Under U.S. GAAP, discounts and rebates depending on sales volumes are measured and recognized based on the related incentive program at the later of the timing when the Company recognizes and measured related revenues or the timing when related incentive programs are provided to the customers.
Whereas under IFRS, when the Company satisfies performance obligation they are measured and recognized with the method that seems to appropriately estimate the amount of consideration using by past, current and future expected information which is reasonably available to the Company.
Under U.S. GAAP, revenue from the short-term construction contracts are recognized by the completed-contract method. Whereas under IFRS, revenue from construction contracts are considered to be transfered contol of promised assets, revenue from those contracts is recongnized over time by measuring the progress towards complete satisfaction regardless of the term of those contracts.

G. Income taxes

Under U.S. GAAP, subsequent changes to deferred tax assets and liabilities recognized on items previously recognized in other comprehensive income (loss) are recognized in profit or loss.
Whereas under IFRS, subsequent changes to deferred tax assets and liabilities recognized on items previously recognized in other comprehensive income (loss) are recognized in other comprehensive income (loss).
Under U.S. GAAP, with respect to unrealized gains and losses from intercompany transactions, a deferred tax asset is recognized using the effective tax rate of the seller.
Whereas, under IFRS, a deferred tax asset is recognized using the effective tax rate of the buyer as a temporary difference of assets held by the buyer.

H. Retained earnings

Effects of the transition, net of tax on retained earnings from U.S. GAAP to IFRS are as follows:

(In millions of yen)

	Jan. 1, 2017 (Transition date)	Mar. 31, 2017	Dec. 31, 2017
Capitalization of development expenses	2,059	2,812	5,336
Impairment of goodwill	(4,639)	(4,639)	(4,639)
Post-employment benefit	(26,224)	(26,200)	(24,950)
Exchange differences on translating of foreign operations	26,009	26,009	25,646
Revenue recognition	(2,343)	734	(3,935)
Income taxes	(21,375)	(21,030)	(23,213)
Other	390	(1,675)	186
Effects of the transition on retained earnings	(26,123)	(23,989)	(25,569)

3) Notes to reconciliation of condensed consolidated statements of cash flows

Among the expenditures related to research and development, which were classified into cash flows from operating activities under U.S. GAAP, the expenditures related to development activities which meet the required criteria for capitalization under IFRS are classified into cash flows from investing activities.

(9) Consolidated revenue by product group

(In millions of yen)

	Three months ended Mar. 31, 2018		Three months ended Mar. 31, 2017		Change	
	Amount	%	Amount	%	Amount	%
Farm Equipment and Engines	**272,098**	**63.5**	**264,275**	**65.3**	**7,823**	**3.0**
Domestic	64,089		61,382		2,707	4.4
Overseas	208,009		202,893		5,116	2.5
Construction Machinery	**67,338**	**15.7**	**55,210**	**13.6**	**12,128**	**22.0**
Domestic	8,031		7,386		645	8.7
Overseas	59,307		47,824		11,483	24.0
Farm & Industrial Machinery	**339,436**	**79.2**	**319,485**	**78.9**	**19,951**	**6.2**
Domestic	72,120	16.8	68,768	16.9	3,352	4.9
Overseas	267,316	62.4	250,717	62.0	16,599	6.6
Pipe-related Products	**45,319**	**10.6**	**41,490**	**10.3**	**3,829**	**9.2**
Domestic	40,636		39,569		1,067	2.7
Overseas	4,683		1,921		2,762	143.8
Environment-related Products	**24,497**	**5.7**	**25,552**	**6.3**	**(1,055)**	**(4.1)**
Domestic	22,107		23,363		(1,256)	(5.4)
Overseas	2,390		2,189		201	9.2
Social Infrastructure-related Products	**11,458**	**2.7**	**10,579**	**2.6**	**879**	**8.3**
Domestic	6,656		5,357		1,299	24.2
Overseas	4,802		5,222		(420)	(8.0)
Water & Environment	**81,274**	**19.0**	**77,621**	**19.2**	**3,653**	**4.7**
Domestic	69,399	16.2	68,289	16.9	1,110	1.6
Overseas	11,875	2.8	9,332	2.3	2,543	27.3
Other	**7,911**	**1.8**	**7,752**	**1.9**	**159**	**2.1**
Domestic	7,819	1.8	7,674	1.9	145	1.9
Overseas	92	0.0	78	0.0	14	17.9
Total	**428,621**	**100.0**	**404,858**	**100.0**	**23,763**	**5.9**
Domestic	149,338	34.8	144,731	35.7	4,607	3.2
Overseas	279,283	65.2	260,127	64.3	19,156	7.4

Note:

Beginning with the current consolidated fiscal year, in conformity with the change in the business reporting structure of the Company, the amounts related to "Electronic Equipped Machinery" are reported in the "Farm Equipment and Engines" product group. The information for the prior fiscal year has been retrospectively adjusted to conform to the current fiscal year's presentation.

(10) Anticipated consolidated revenue by reportable segment

(In billions of yen)

	Year ending Dec. 31, 2018		Year ended Dec. 31, 2017		Change	
	Amount	%	Amount	%	Amount	%
Domestic	297.0		294.5		2.5	0.8
Overseas	1,200.0		1,142.0		58.0	5.1
Farm & Industrial Machinery	1,497.0	82.3	1,436.5	82.0	60.5	4.2
Domestic	250.0		240.7		9.3	3.9
Overseas	45.0		45.0		—	—
Water & Environment	295.0	16.2	285.7	16.3	9.3	3.3
Domestic	28.0		28.5		(0.5)	(1.8)
Overseas	—		0.3		(0.3)	(100.0)
Other	28.0	1.5	28.8	1.7	(0.8)	(2.8)
Total	1,820.0	100.0	1,751.0	100.0	69.0	3.9

Domestic	575.0	31.6	563.7	32.2	11.3	2.0
Overseas	1,245.0	68.4	1,187.3	67.8	57.7	4.9

Notes:

The IFRS figures for the year ended December 31, 2017 used to present the changes from the prior year were changed from those in the earnings release announced on February 14, 2018 since they were approximate values at that time.