FOR IMMEDIATE RELEASE

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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 YEAR ENDED DECEMBER 31, 2018 [IFRS]

Kubota Corporation hereby reports its consolidated results for the year ended December 31, 2018.

Consolidated Financial Highlights

1. Consolidated financial highlights for the year ended December 31, 2018

(1) Consolidated results of operations

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

	Year ended Dec. 31, 2018	Change [%]	Year ended Dec. 31, 2017	Change [%]
Revenue	¥ 1,850,316	5.7	¥ 1,751,038	-
Operating profit	¥ 189,314	(5.3)	¥ 199,952	-
% of revenue	10.2%		11.4%	
Profit before income taxes	¥ 197,230	(7.8)	¥ 214,007	-
% of revenue	10.7%		12.2%	
Profit for the year	¥ 150,145	4.8	¥ 143,299	-
% of revenue	8.1%		8.2%	
Profit attributable to owners of the parent	¥ 138,595	3.3	¥ 134,160	-
% of revenue	7.5%		7.7%	
Comprehensive income for the year	¥ 97,605	(39.5)	¥ 161,425	-
% of revenue	5.3%		9.2%	
Earnings per share attributable to owners of the parent:				
Basic	¥ 112.44		¥ 108.45	
Diluted	¥ 112.44		-	
Ratio of profit attributable to owners of the parent to equity attributable to owners of the parent	10.5%		10.8%	
Ratio of profit before income taxes to total assets	6.9%		7.8%	

(2) Consolidated financial position

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

	Dec. 31, 2018	Dec. 31, 2017
Total assets	¥ 2,895,655	¥ 2,832,364
Total equity	¥ 1,426,433	¥ 1,375,568
Equity attributable to owners of the parent	¥ 1,339,850	¥ 1,291,094
Ratio of equity attributable to owners of the parent to total assets	46.3%	45.6%
Equity attributable to owners of the parent per share	¥ 1,087.44	¥ 1,046.55

(3) Consolidated cash flows

(Unit: millions of yen)

	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017
Net cash provided by operating activities	¥ 89,148	¥ 137,185
Net cash used in investing activities	(¥ 58,756)	(¥ 45,984)
Net cash used in financing activities	(¥ 27,816)	(¥ 32,575)
Cash and cash equivalents, at the end of the year	¥ 229,123	¥ 230,720

Notes:

1. Change [%] represents the percentage change from the prior year.
2. Share of profits of investments accounted for using the equity method for the year ended December 31, 2018 and 2017 was ¥2,034 million and ¥2,469 million, respectively.
3. Amounts less than one million yen are rounded.

2. Cash dividends

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

	Cash dividends per share					Annual cash dividends	Payout ratio	Ratio of dividends to equity attributable to owners of the parent
	First quarter period	Second quarter period	Third quarter period	Year-end	Total			
Year ended Dec. 31, 2018	—	¥ 16.00	—	¥ 18.00	¥ 34.00	¥ 41,903	30.2%	3.2%
Year ended Dec. 31, 2017	—	¥ 15.00	—	¥ 17.00	¥ 32.00	¥ 39,542	29.5%	3.2%

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 retirement of its own shares.

3. Forecasts of operations for the year ending December 31, 2019

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

	Six months ending June 30, 2019	Change [%]	Year ending Dec. 31, 2019	Change [%]
Revenue	¥ 995,000	9.8	¥ 1,970,000	6.5
Operating profit	¥ 102,000	0.9	¥ 200,000	5.6
Profit before income taxes	¥ 106,000	0.8	¥ 208,000	5.5
Profit attributable to owners of the parent	¥ 73,000	1.5	¥ 145,000	4.6
Earnings per share attributable to owners of the parent - basic	¥ 59.25		¥ 117.68	

Notes:

1. Change [%] represents the percentage change from the prior year.
2. Please refer to the accompanying materials, "1. Review of operations and financial condition (1) Review of operations c) Forecasts for the year ending December 31, 2019" on page 6 for further information related to the forecasts of operations.

4. Other information

(1) Changes in significant subsidiaries during the year (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 International Financial Reporting Standards (hereinafter "IFRS"): Yes
b) Changes in accounting policies due to reasons other than a) above: None
c) Changes in accounting estimates: None

Note:
Please refer to the accompanying materials, "3. Consolidated financial statements (7) Notes to consolidated financial statements " on page 15.

(3) Number of common shares issued

a) Number of common shares issued including treasury shares as of December 31, 2018	:	1,232,556,846
Number of common shares issued including treasury shares as of December 31, 2017	:	1,234,024,216
b) Number of treasury shares as of December 31, 2018	:	439,464
Number of treasury shares as of December 31, 2017	:	362,159
c) Weighted-average number of common shares outstanding during the year ended December 31, 2018	:	1,232,620,297
Weighted-average number of common shares outstanding during the year ended December 31, 2017	:	1,237,008,204

Note:
Please refer to the accompanying materials "3. Consolidated financial statements (9) Per common share information" on page 18.

(Reference) Non consolidated financial highlights

(1) Results of operations (Unit: millions of yen, except per common share amounts)

	Year ended Dec. 31, 2018	Change [%]	Year ended Dec. 31, 2017	Change [%]
Net sales	¥ 885,385	4.9	¥ 844,115	11.8
Operating income	¥ 48,442	(41.0)	¥ 82,161	95.8
Ordinary income	¥ 90,702	(28.8)	¥ 127,401	87.2
Net income	¥ 73,890	(22.6)	¥ 95,431	84.6
Net income per common share				
Basic	¥ 59.92		¥ 77.12	
Diluted	¥ 59.92		-	

(2) Financial position (Unit: millions of yen, except per common share amounts)

	Dec. 31, 2018	Dec. 31, 2017
Total assets	¥ 1,180,286	¥ 1,181,552
Net assets	¥ 626,716	¥ 619,055
Ratio of equity to total assets	53.1%	52.4%
Net assets per common share	¥ 508.51	¥ 501.66

Note:
Amounts are rounded down to the nearest million yen.

(Adoption of IFRS)
Kubota Corporation and its subsidiaries (hereinafter, the "Company") have adopted IFRS from the beginning of the fiscal year ended December 31, 2018. Accordingly, financial figures for the year ended December 31, 2017 are also reclassified in accordance with IFRS.
Please refer to the accompanying materials, "3. Consolidated financial statements (11) First-time adoption of IFRS" on page 19 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 audit by the independent auditor)
This release is not subject to the audit by the independent auditor.

(Method of obtaining supplementary materials on the financial results)
Kubota Corporation plans to hold a result briefing for institutional investors and securities analysts on February 20, 2019. The supplementary material will be published on the Company's website after the briefing immediately.

< 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.

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1. Review of operations and financial condition

(1) Review of operations

a) Summary of the results of operations for the year ended December 31, 2018

Kubota Corporation and its subsidiaries (hereinafter, the "Company") have 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 ended December 31, 2018. The figures for the fiscal year ended December 31, 2017 used in the following analysis were reclassified into figures in accordance with IFRS.

For the year ended December 31, 2018, revenue of the Company increased by ¥99.3 billion [5.7%] from the prior year to ¥1,850.3 billion.

Domestic revenue increased by ¥13.5 billion [2.4%] from the prior year to ¥577.3 billion because of increased revenue in Farm & Industrial Machinery, which was mainly due to strong sales of agricultural-related products and engines. On the other hand, revenue in Water & Environment, whose businesses are mainly related to public works projects, decreased.

Overseas revenue increased by ¥85.7 billion [7.2%] from the prior year to ¥1,273.0 billion mainly due to a significant increase in sales of construction machinery, tractors, and engines along with gradual economic expansion. In addition, sales of industrial castings and ductile iron pipes increased as well. As a result, overseas revenue accounted for 68.8% of consolidated revenue, which increased by 1.0 percent from the prior year.

Operating profit decreased by ¥10.6 billion [5.3%] from the prior year to ¥189.3 billion. This decrease was mainly due to some negative effects from a rise in material prices and increased costs, such as fixed costs, while there was the positive effect from increased sales in the domestic and overseas markets. Profit before income taxes decreased by ¥16.8 billion [7.8%] from the prior year to ¥197.2 billion because operating profit decreased and finance income, which had previously included gain on sales of securities, decreased from the prior year. Income tax expenses decreased by ¥24.1 billion from the prior year to ¥49.1 billion mainly due to the federal corporate tax rate cut in the United States. Profit for the year increased by ¥6.8 billion [4.8%] from the prior year to ¥150.1 billion. Profit attributable to owners of the parent increased by ¥4.4 billion [3.3%] from the prior year to ¥138.6 billion.

b) Review of operations by reportable segment

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 6.3% from the prior year to ¥1,527.6 billion, and accounted for 82.6% of consolidated revenue.

Domestic revenue increased by 4.9% from the prior year to ¥308.9 billion due to increased sales of farm equipment, agricultural-related products, engines, and construction machinery.

Overseas revenue increased by 6.7% from the prior year to ¥1,218.7 billion. In North America, sales of tractors increased due to continuous expansion of demand. Sales of utility vehicles increased due to the newly introduced model as well. In addition, sales of construction machinery and engines also increased due to solid demand for construction. In Europe, sales of construction machinery and engines increased significantly. In addition, there was a positive effect from the yen depreciation against the Euro and the British pound sterling. In Asia outside Japan, revenue

decreased because sales of farm equipment in China decreased significantly resulting from the drastic shrink in demand. On the other hand, sales of farm equipment in Thailand increased mainly because the price of agricultural products rose and weather during the rainy seasons was generally favorable. In addition, sales of tractors in India increased steadily as well.

Operating profit in this segment was ¥200.9 billion, which was almost at the same level as the prior year because the positive effect from increased sales in domestic and overseas markets compensated for some negative effects from a rise in steel prices and increased costs, such as fixed costs.

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 2.3% from the prior year to ¥292.3 billion, and accounted for 15.8% of consolidated revenue.

Domestic revenue decreased by 1.0% from the prior year to ¥238.4 billion. Revenue from pipe-related products decreased significantly due to stagnant sales of ductile iron pipes, while revenue from environment-related products and social infrastructure-related products increased.

Overseas revenue increased by 19.9% from the prior year to ¥53.9 billion, mainly due to increased sales of industrial castings, ductile iron pipes, and wastewater treatment plants (Johkasou).

Operating profit in this segment decreased by 18.6% from the prior year to ¥19.9 billion mainly due to a rise in material prices and deterioration of product mix sold resulting from a significant decrease in domestic sales of ductile iron pipes.

3) Other

Other is mainly comprised of a variety of services.

Revenue in this segment increased by 5.3% from the prior year to ¥30.4 billion, and accounted for 1.6% of consolidated revenue.

Operating profit in this segment was ¥3.0 billion, which was almost at the same level as the prior year.

c) Forecasts for the year ending December 31, 2019

Consolidated revenue for the year ending December 31, 2019 is forecast to increase by ¥119.7 billion from the prior year to ¥1,970.0 billion. Domestic revenue is expected to increase because of a significant increase in revenue in Water & Environment, which is mainly due to strong sales of environment-related products. In addition, revenue in Farm & Industrial Machinery is expected to increase as well. Overseas revenue is also expected to increase because of a significant increase in revenue in Farm & Industrial Machinery in North America and Asia outside Japan.

Operating profit is forecast to increase by ¥10.7 billion to ¥200.0 billion. This result is mainly due to some positive effects from increased revenue in domestic and overseas markets and raised product prices, while some negative effects from a rise in material prices and an increase in fixed costs are expected. In addition, the negative effect from the yen appreciation is also expected. Profit before income taxes is forecast to increase by ¥10.8 billion to ¥208.0 billion. Profit attributable to owners of the parent is forecast to increase by ¥6.4 billion to ¥145.0 billion.

(These forecasts are based on the assumption of exchange rates of ¥108=US$1 and ¥122=€1.)

(2) Financial condition

a) Assets, liabilities, and equity

Total assets at December 31, 2018 were ¥2,895.7 billion, an increase of ¥63.3 billion from the prior fiscal year-end. With respect to assets, finance receivables significantly increased due to the expansion in sales financing operations in North America and Thailand, where retail sales were strong.

With respect to liabilities, trade payables increased, while income taxes payable decreased. Equity increased as the accumulation of retained earnings compensated for a decrease in other components of equity, which was due to fluctuations in prices of securities and foreign exchange rates. The ratio of equity attributable to owners of the parent to total assets stood at 46.3%, 0.7 percent higher than the prior fiscal year-end.

b) Cash flows

Net cash provided by operating activities during the year ended December 31, 2018 was ¥89.1 billion, a decrease of ¥48.0 billion in net cash inflow compared with the prior year. This decrease resulted from an increase in finance receivables and the changes in working capital, such as inventories while profit for the year increased.

Net cash used in investing activities was ¥58.8 billion, an increase of ¥12.8 billion in net cash outflow compared with the prior year. This increase was due to a decrease in cash inflow related to proceeds from sales and redemption of securities and a net decrease in time deposits, while there was a decrease in cash outflow related to payments for acquisition of property, plant, and equipment and intangible assets.

Net cash used in financing activities was ¥27.8 billion, a decrease of ¥4.8 billion in cash outflow compared with the prior year. This decrease was mainly due to 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 at December 31, 2018 were ¥229.1 billion, a decrease of ¥1.6 billion from the beginning of the current fiscal year.

（Reference） Cash flow indices

	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017
Ratio of equity attributable to owners of the parent to total assets [%]	46.3	45.6
Equity ratio based on market capitalization [%]	66.4	96.2
Interest-bearing liabilities / Net cash provided by operating activities [year]	9.4	6.1
Interest coverage ratio [times]	5.4	7.2

Note:

・Ratio of equity attributable to owners of the parent to total assets： equity attributable to owners of the parent / total assets

・Equity ratio based on market capitalization： market capitalization / total assets

・Interest coverage ratio： net cash provided by operating activities / interest paid

Each ratio is calculated based on the figures in the consolidated financial statements. Market capitalization is calculated based on closing price at the end of the fiscal year multiplied by the number of shares outstanding at the end of the fiscal year, excluding treasury shares. Net cash provided by operating activities is the amount in the consolidated statements of cash flows. Interest-bearing liabilities include bonds and borrowings in the consolidate statement of financial position. Additionally, interest paid is the total amount of interest paid in the consolidated statements of cash flows and interest paid resulting from interest-bearing liabilities related to sales financing operations.

2. Basic rationale for selection of accounting standards

Kubota Corporation has voluntarily adopted IFRS from the 1st quarter of the fiscal year ended December 31, 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.

3. Consolidated financial statements

(1) Consolidated statement of financial position

ASSETS (Unit: millions of yen)

	Dec. 31, 2018		Dec. 31, 2017		Change	Jan. 1, 2017 (Transition date)	
	Amount	%	Amount	%	Amount	Amount	%
Current assets:							
Cash and cash equivalents	¥ 229,123		¥ 230,720		¥ (1,597)	¥ 169,416	
Trade receivables	660,401		639,083		21,318	623,410	
Finance receivables	267,262		250,684		16,578	230,925	
Other financial assets	54,373		51,515		2,858	63,710	
Inventories	370,698		358,854		11,844	352,598	
Income taxes receivable	4,416		20,787		(16,371)	17,325	
Other current assets	53,250		56,783		(3,533)	52,414	
Total current assets	1,639,523	56.6	1,608,426	56.8	31,097	1,509,798	57.3
Noncurrent assets:							
Investments accounted for using the equity method	30,611		29,333		1,278	28,505	
Finance receivables	621,886		559,479		62,407	491,444	
Other financial assets	151,198		188,738		(37,540)	184,854	
Property, plant, and equipment	330,034		321,741		8,293	301,866	
Goodwill and intangible assets	49,948		46,983		2,965	40,340	
Deferred tax assets	50,055		48,987		1,068	50,698	
Other noncurrent assets	22,400		28,677		(6,277)	26,275	
Total noncurrent assets	1,256,132	43.4	1,223,938	43.2	32,194	1,123,982	42.7
Total assets	¥ 2,895,655	100.0	¥ 2,832,364	100.0	¥ 63,291	¥ 2,633,780	100.0

LIABBILITIES AND EQUITY (Unit: millions of yen)

	Dec. 31, 2018		Dec. 31, 2017		Change	Jan. 1, 2017 (Transition date)	
	Amount	%	Amount	%	Amount	Amount	%
Current liabilities:							
Bonds and borrowings	¥ 349,060		¥ 363,488		¥ (14,428)	¥ 338,488	
Trade payables	306,759		286,121		20,638	255,859	
Other financial liabilities	57,402		39,561		17,841	45,148	
Income taxes payable	9,353		37,221		(27,868)	19,650	
Provisions	22,415		21,213		1,202	17,387	
Other current liabilities	177,834		169,849		7,985	157,872	
Total current liabilities	922,823	31.8	917,453	32.4	5,370	834,404	31.7
Noncurrent liabilities:							
Bonds and borrowings	490,205		470,613		19,592	476,871	
Other financial liabilities	4,727		3,621		1,106	1,919	
Retirement benefit liabilities	14,498		12,943		1,555	12,091	
Deferred tax liabilities	29,308		41,175		(11,867)	35,861	
Other noncurrent liabilities	7,661		10,991		(3,330)	5,560	
Total noncurrent liabilities	546,399	18.9	539,343	19.0	7,056	532,302	20.2
Total liabilities	1,469,222	50.7	1,456,796	51.4	12,426	1,366,706	51.9
Equity:							
Share capital	84,130		84,100		30	84,070	
Share premium	85,305		85,037		268	84,605	
Retained earnings	1,135,395		1,040,207		95,188	954,819	
Other components of equity	35,343		81,924		(46,581)	70,463	
Treasury shares	(323)		(174)		(149)	(192)	
Equity attributable to owners of the parent	1,339,850	46.3	1,291,094	45.6	48,756	1,193,765	45.3
Noncontrolling interests	86,583	3.0	84,474	3.0	2,109	73,309	2.8
Total equity	1,426,433	49.3	1,375,568	48.6	50,865	1,267,074	48.1
Total liabilities and equity	¥ 2,895,655	100.0	¥ 2,832,364	100.0	¥ 63,291	¥ 2,633,780	100.0

(2) Consolidated statement of profit or loss

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

	Year ended Dec. 31, 2018		Year ended Dec. 31, 2017		Change	
	Amount	%	Amount	%	Amount	%
Revenue	¥ 1,850,316	100.0	¥ 1,751,038	100.0	¥ 99,278	5.7
Cost of sales	(1,322,930)		(1,238,553)		(84,377)	
Selling, general, and administrative expenses	(332,617)		(313,195)		(19,422)	
Other income	5,040		2,155		2,885	
Other expenses	(10,495)		(1,493)		(9,002)	
Operating profit	189,314	10.2	199,952	11.4	(10,638)	(5.3)
Finance income	9,816		24,245		(14,429)	
Finance costs	(1,900)		(10,190)		8,290	
Profit before income taxes	197,230	10.7	214,007	12.2	(16,777)	(7.8)
Income tax expenses	(49,119)		(73,177)		24,058	
Share of profits of investments accounted for using the equity method	2,034		2,469		(435)	
Profit for the year	¥ 150,145	8.1	¥ 143,299	8.2	¥ 6,846	4.8
Profit attributable to:						
Owners of the parent	¥ 138,595	7.5	¥ 134,160	7.7	¥ 4,435	3.3
Noncontrolling interests	11,550	0.6	9,139	0.5	2,411	26.4
Earnings per share attributable to owners of the parent:						
Basic	¥ 112.44		¥ 108.45			
Diluted	112.44		—			

(3) Consolidated statement of comprehensive income

(Unit: millions of yen)

	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017	Change
Profit for the year	¥ 150,145	¥ 143,299	¥ 6,846
Other comprehensive income, net of income tax:			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit pension plans	(4,731)	2,851	(7,582)
Net change in fair value of financial assets measured at fair value through other comprehensive income	(21,626)	—	(21,626)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations	(26,183)	9,380	(35,563)
Unrealized gains on securities	—	5,895	(5,895)
Total other comprehensive income, net of income tax	(52,540)	18,126	(70,666)
Comprehensive income for the year	¥ 97,605	¥ 161,425	¥ (63,820)

Comprehensive income attributable to:			
Owners of the parent	¥ 87,544	¥ 148,460	¥ (60,916)
Noncontrolling interests	10,061	12,965	(2,904)

(4) Consolidated statement of changes in equity

(Unit: millions of yen)

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Other components of equity	Treasury shares	Total		
Balance as of Jan. 1, 2017	¥ 84,070	¥ 84,605	¥ 954,819	¥ 70,463	¥ (192)	¥ 1,193,765	¥ 73,309	¥ 1,267,074
Profit for the year			134,160			134,160	9,139	143,299
Total other comprehensive income, net of income tax				14,300		14,300	3,826	18,126
Comprehensive income for the year			134,160	14,300		148,460	12,965	161,425
Transfer to retained earnings			2,839	(2,839)		—		—
Dividends paid			(38,421)			(38,421)	(3,744)	(42,165)
Purchases and sales of treasury shares		144			(13,172)	(13,028)		(13,028)
Retirement of treasury shares			(13,190)		13,190	—		—
Share-based payments with transfer restrictions	30	15				45		45
Changes in ownership interests in subsidiaries		273				273	1,944	2,217
Balance as of Dec. 31, 2017	¥ 84,100	¥ 85,037	¥ 1,040,207	¥ 81,924	¥ (174)	¥ 1,291,094	¥ 84,474	¥ 1,375,568
Cumulative effects due to new accounting standards applied			1,377	3,262		4,639	1,014	5,653
Profit for the year			138,595			138,595	11,550	150,145
Total other comprehensive income, net of income tax				(51,051)		(51,051)	(1,489)	(52,540)
Comprehensive income for the year			138,595	(51,051)		87,544	10,061	97,605
Transfer to retained earnings			(1,233)	1,233		—		—
Dividends paid			(40,697)			(40,697)	(6,384)	(47,081)
Purchases and sales of treasury shares					(3,003)	(3,003)		(3,003)
Retirement of treasury shares			(2,854)		2,854	—		—
Share-based payments with transfer restrictions	30	30				60		60
Changes in ownership interests in subsidiaries		238		(25)		213	(2,582)	(2,369)
Balance as of Dec. 31, 2018	¥ 84,130	¥ 85,305	¥ 1,135,395	¥ 35,343	¥ (323)	¥ 1,339,850	¥ 86,583	¥ 1,426,433

(5) Consolidated statement of cash flows

(Unit: millions of yen)

	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017	Change
Cash flows from operating activities:			
Profit for the year	¥ 150,145	¥ 143,299	
Depreciation and amortization	49,624	45,136	
Finance income and costs	(7,067)	(14,726)	
Income tax expenses	49,119	73,177	
Share of profits of investments accounted for using the equity method	(2,034)	(2,469)	
Increase in trade receivables	(26,477)	(19,391)	
Increase in finance receivables	(97,293)	(86,215)	
(Increase) decrease in inventories	(25,478)	4,758	
Decrease (increase) in other assets	3,180	(2,827)	
Increase in trade payables	24,679	26,795	
Increase in other liabilities	24,505	21,248	
Other, net	5,206	(1,964)	
Interest received	4,414	4,079	
Dividends received	3,630	3,613	
Interest paid	(955)	(889)	
Income taxes paid	(66,050)	(56,439)	
Net cash provided by operating activities	89,148	137,185	¥ (48,037)
Cash flows from Investing activities:			
Payments for acquisition of property, plant, and equipment and intangible assets	(63,396)	(68,935)	
Proceeds from sales and redemption of securities	7,502	11,990	
Net decrease in short-term loans receivable from associates	365	2,838	
Net decrease in time deposits	5,942	14,930	
Net increase in short-term investments	(8,074)	(7,397)	
Other, net	(1,095)	590	
Net cash used in investing activities	(58,756)	(45,984)	(12,772)
Cash flows from financing activities:			
Funding from bonds and long-term borrowings	229,214	205,677	
Redemptions of bonds and repayments of long-term borrowings	(217,315)	(165,954)	
Net increase (decrease) in short-term borrowings	12,766	(17,291)	
Dividends paid	(40,697)	(38,421)	
Purchases of treasury shares	(3,003)	(13,197)	
Payments for acquisiton of noncontrolling interests	(2,402)	—	
Other, net	(6,379)	(3,389)	
Net cash used in financing activities	(27,816)	(32,575)	4,759
Effect of exchange rate changes on cash and cash equivalents	(4,173)	2,678	(6,851)
Net (decrease) increase in cash and cash equivalents	(1,597)	61,304	
Cash and cash equivalents, at the beginning of the year	230,720	169,416	
Cash and cash equivalents, at the end of the year	¥ 229,123	¥ 230,720	¥ (1,597)

(6) Notes to the going concern assumption

None

(7) Notes to consolidated financial statements

a) Accounting policies applied for consolidated financial statements

The accompanying consolidated financial statements have been prepared in accordance with IFRS.

b) Entities under consolidation and entities under the equity method

172 entities are consolidated.

Major entities:	Domestic	Kubota Credit Co., Ltd.
		Kubota ChemiX Co., Ltd.
	Overseas	Kubota North America Corporation
		Kubota Tractor Corporation
		Kubota Credit Corporation, U.S.A.
		Kubota Manufacturing of America Corporation
		Kubota Industrial Equipment Corporation
		Kubota Engine America Corporation
		Great Plains Manufacturing, Inc.
		Kubota Canada Ltd.
		Kubota Holdings Europe B.V.
		Kubota Europe S.A.S.
		Kubota Baumaschinen GmbH
		Kverneland AS
		Kubota China Holdings Co., Ltd.
		Kubota Agricultural Machinery (Suzhou) Co., Ltd.
		Kubota Construction Machinery (Wuxi) Co., Ltd.
		Kubota China Financial Leasing Ltd.
		SIAM KUBOTA Corporation Co., Ltd.
		Siam Kubota Leasing Co., Ltd.
		Kubota Engine (Thailand) Co., Ltd.
		Kubota Australia Pty Ltd.

13 entities are accounted for using the equity method.

Major entity:	Domestic	KMEW Co., Ltd.

c) Changes in accounting policies

The Company adopted IFRS 9, “Financial instruments (2014)” (“IFRS 9”) beginning from the current fiscal year started on January 1, 2018. In accordance with exemptions from the retrospective application of IFRS 7 “Financial Instruments: Disclosures”, and IFRS 9 under IFRS 1, “First-time Adoption of International Financial Reporting Standards” (“IFRS 1”) the Company applied U.S. GAAP, the previous accounting standards for the comparative information.

The difference between the carrying amounts under U.S. GAAP and those under IFRS are adjusted in retained earnings or other components of equity at the beginning of the current fiscal year.

The application of IFRS 9 increased other financial assets, finance receivables, deferred tax liabilities, other components of equity, retained earnings, and noncontrolling 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 at the beginning of the current fiscal year.

The impact on profit for the year was insignificant.

(8) Consolidated segment information

a) Reportable segments

Information by reportable segment is summarized as follows:

(Unit: millions of yen)

Year ended December 31, 2018		Farm & Industrial Machinery	Water & Environment	Other	Adjustments	Consolidated
Revenue	External customers	¥ 1,527,629	¥ 292,281	¥ 30,406	¥ —	¥ 1,850,316
	Intersegment	299	1,295	27,990	(29,584)	—
	Total	1,527,928	293,576	58,396	(29,584)	1,850,316
Operating profit		¥ 200,895	¥ 19,875	¥ 3,011	¥ (34,467)	¥ 189,314
Depreciation and amortization		¥ 38,858	¥ 6,689	¥ 511	¥ 3,566	¥ 49,624
Addition to noncurrent assets		55,129	8,105	1,095	4,332	68,661
December 31, 2018						
Assets		¥ 2,348,943	¥ 242,744	¥ 140,959	¥ 163,009	¥ 2,895,655
Investments accounted for using the equity method		10,249	37	20,325	—	30,611

(Unit: millions of yen)

Year ended December 31, 2017		Farm & Industrial Machinery	Water & Environment	Other	Adjustments	Consolidated
Revenue	External customers	¥ 1,436,501	¥ 285,675	¥ 28,862	¥ —	¥ 1,751,038
	Intersegment	334	2,021	26,642	(28,997)	—
	Total	1,436,835	287,696	55,504	(28,997)	1,751,038
Operating profit		¥ 200,749	¥ 24,415	¥ 3,008	¥ (28,220)	¥ 199,952
Depreciation and amortization		¥ 34,693	¥ 6,608	¥ 620	¥ 3,215	¥ 45,136
Addition to noncurrent assets		54,553	5,178	557	3,270	63,558
December 31, 2017						
Assets		¥ 2,234,845	¥ 243,240	¥ 139,639	¥ 214,640	¥ 2,832,364
Investments accounted for using the equity method		9,617	58	19,658	—	29,333

Notes:

1. "Adjustments" include the items, such as the elimination of intersegment transfers, corporate expenses, and corporate assets which are not allocated to any of a particular reportable segment. The corporate expenses included in "Adjustments" consists mainly of expenses of the administration department, basic research expenses, and foreign exchange gains or losses incurred in the Parent Company. The corporate assets included in "Adjustments" consists mainly of cash and cash equivalents, securities, and corporate properties held or used by the administration department of the Parent Company.

2. The aggregated amounts of operating profit are equal to those presented in the consolidated statement of profit or loss. Please refer to the 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.

4. Noncurrent assets do not include financial instruments, deferred tax assets, net defined benefit assets.

b) Revenue from external customers by product group

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

(Unit: millions of yen)

		Year ended Dec. 31, 2018	Year ended Dec. 31, 2017
	Farm Equipment and Engines	¥ 1,237,907	¥ 1,178,919
	Construction Machinery	289,722	257,582
Farm & Industrial Machinery		1,527,629	1,436,501
	Pipe-related Products	157,761	163,665
	Environment-related Products	85,517	78,400
	Social Infrastructure-related Products	49,003	43,610
Water & Environment		292,281	285,675
Other		30,406	28,862
Total		¥ 1,850,316	¥ 1,751,038

Note:

Beginning with the current 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.

c) Geographic information

Information about revenue from external customers by location is summarized as follows:

(Unit: millions of yen)

	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017
Japan	¥ 577,340	¥ 563,793
North America	612,575	546,019
Europe	256,347	226,663
Asia outside Japan	334,907	342,908
Other areas	69,147	71,655
Total	¥ 1,850,316	¥ 1,751,038

Notes:

1. Revenue from North America included that from the United States of ¥554,670 million and ¥482,370 million for the years ended December 31, 2018 and 2017, respectively.

2. There was no single customer from whom revenue exceeded 10% of total consolidated revenue of the Company.

Information about noncurrent assets based on physical location is summarized as follows:

(Unit: millions of yen)

	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017
Japan	¥ 227,877	¥ 209,758
North America	75,076	74,181
Europe	36,876	39,381
Asia outside Japan	56,549	61,051
Other areas	4,036	4,618
Total	¥ 400,414	¥ 388,989

Notes:

1. Noncurrent assets do not include financial instruments, deferred tax assets, and net defined benefit assets.

2. Noncurrent assets of North America included those in the United States of ¥71,631 million and ¥70,351 million at December 31, 2018 and 2017, respectively

(9) Per common share information

(Unit: yen)

	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017
Equity attributable to owners of the parent per share	¥ 1,087.44	¥ 1,046.55
Earnings per share attributable to owners of the parent - basic	112.44	108.45
Earnings per share attributable to owners of the parent - diluted	112.44	—

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

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

Numerators (Unit: millions of yen)

	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017
Profit attributable to owners of the parent	¥ 138,595	¥ 134,160
Profit attributable to participating equity instruments	2	2
Profit attributable to common shareholders - basic	¥ 138,593	¥ 134,158
Effect of stock compensation for domestic non-resident	—	—
Profit attributable to common shareholders - diluted	¥ 138,593	¥ —

Denominators (Unit: thousands of shares)

	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017
Weighted-average number of common shares outstanding	1,232,635	1,237,024
Weighted-average number of participating equity instruments	15	15
Weighted-average number of common shares - basic	1,232,620	1,237,008
Effect of stock compensation for domestic non-resident	3	—
Weighted-average number of common shares - diluted	1,232,624	—

(10) Subsequent events

None

(11) First-time adoption of IFRS

The consolidated financial statements are prepared in accordance with IFRS for the first time from the beginning of the fiscal year ended 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 ("transition date") is January 1, 2017.

1) IFRS 1 exemptions

IFRS 1 requires an entity which adopts IFRS for the first time (the "first-time adopter") to adopt IFRS retrospectively to prior periods. However, IFRS 1 provides mandatory exceptions prohibiting retrospective application and certain exemptions that allow first-time adopters to voluntarily choose not to apply certain standards retrospectively.

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

b) Exchange differences on translating foreign operations

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

c) Exemptions from retrospective application of IFRS 9

IFRS 1 permits first-time adopters which adopt IFRS from the year beginning before January 1, 2019 and choose 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, financial performance, 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)

(Unit: 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	A	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	A,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:						**Noncurrent 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	A	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 noncurrent assets
Less: Allowance for doubtful non-current receivables	(763)	763				
Total other assets	115,804					
				1,123,982		Total noncurrent assets
Total assets	¥ 2,670,582	¥ (43,132)	¥ 6,330	¥ 2,633,780		**Total assets**

(Unit: 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:						**Noncurrent 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 noncurrent liabilities
Total long-term liabilities	562,044	(34,483)	4,741	532,302		Total noncurrent liabilities
				1,366,706		**Total liabilities**
Equity:						**Equity:**
Kubota Corporation shareholders' equity:						Equity attributable to owners of the parent:
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
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		Noncontrolling 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 December 31, 2017

(Unit: 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	A	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	A,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:						**Noncurrent 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	A	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 noncurrent assets
Less: Allowance for doubtful non-current receivables	(897)	897				
Total other assets	150,939					
				1,223,938		Total noncurrent assets
Total assets	¥ 2,853,930	¥ (27,213)	¥ 5,647	¥ 2,832,364		**Total assets**

(Unit: 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:						**Noncurrent 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 noncurrent liabilities
Total long-term liabilities	549,423	(18,706)	8,626	539,343		Total noncurrent liabilities
				1,456,796		**Total liabilities**
Equity:						**Equity:**
Kubota Corporation shareholders' equity:						Equity attributable to owners of the parent:
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
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		Noncontrolling 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**

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

(Unit: 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		**Noncontrolling interests**

(Unit: 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 year**
Other comprehensive income (loss), net of tax:						**Other comprehensive income, net of income tax**
						Items that will not be reclassified subsequently to profit or loss
Pension liability adjustments	6,102		(3,251)	2,851	D	Remeasurement of defined benefit pension plans
						Items that may be reclassified subsequently 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 gains on securities
Total other comprehensive income	21,096	—	(2,970)	18,126		Total other comprehensive income, net of income tax
Comprehensive income	¥ 166,441	¥ —	¥ (5,015)	¥ 161,425		**Comprehensive income for the year**
						Comprehensive income 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		**Noncontrolling interests**

d) Notes to reconciliation of equity and comprehensive income

A. Reclassification

The major items of "Reclassification" are as follows:

(1) Presentation of finance receivables

Under U.S. GAAP, the Company accrued the preferential interest equivalents arising from retail finance operations in liabilities and recorded finance receivables including those amounts in assets.

Whereas under IFRS, the preferential interest equivalents are considered as a part of consideration received and therefore they are subtracted from finance receivables.

(2) Presentation of financial assets and liabilities

IFRS requires an entity to separately state financial assets and liabilities on the consolidated statement of financial position.

Therefore, time deposits and derivatives, which were included in other current assets under U.S. GAAP, other investments and long-term trade accounts receivable, which were separately stated under U.S. GAAP, and derivatives, which were included in other assets—other under U.S. GAAP, are all included in other financial assets under IFRS. Notes and accounts payable for capital expenditures, which were separately stated under U.S. GAAP, derivatives, which was included in other current liabilities and other long-term liabilities under U.S. GAAP, are all included in other financial liabilities under IFRS.

(3) Presentation of contract assets

Under U.S. GAAP, receivables arising from the percentage-of-completion method, which were recognized during the construction in process, were included in trade accounts receivable.

Whereas under IFRS, the rights to the consideration, which are recognized in line with the progress towards complete satisfaction of a performance obligation, are stated as contract assets, and the Company distinguishes them from trade receivables, which are the Company’s rights to unconditional consideration, and includes them in other current assets.

(4) Presentation of deferred tax assets and liabilities

The Company adopted a new accounting standard under U.S. GAAP, which required deferred tax assets and liabilities to be classified as noncurrent 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 by using the information as of December 31, 2016. For this reason, on the transition date, deferred tax assets and liabilities were presented separately in current and noncurrent and included in other current assets, other assets—other, other current liabilities, and other long-term liabilities under U.S. GAAP.

Whereas under IFRS, deferred tax assets and liabilities were all presented as noncurrent.

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

B. Capitalization of development expenditures

Under U.S. GAAP, expenditures related to research and development are expensed as incurred.

Whereas under IFRS, certain development expenditures which meet the required criteria for capitalization are recognized as intangible assets and amortized over their estimated useful lives on a straight-line basis.

C. Impairment of goodwill

Under U.S. GAAP, when evaluating whether goodwill is impaired 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, 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.

On the transition date, the Company conducted impairment tests on each cash-generating unit. Impairment losses of ¥3,982 million, ¥149 million, and ¥1,439 million were recognized on goodwill, property, plant, and equipment, and intangible assets, respectively, all in the Farm & Industrial Machinery segment.

The recoverable amount is measured using the value in use. The value in use is calculated by discounting the estimated future cash flows based on the market growth rate in which each cash-generating unit belongs to and the business plan for the next five years approved by management to the present value by the weighted average cost of capital on cash-generating unit (7.5% is largely used).

D. Postemployment benefit

Under U.S. GAAP, postemployment 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 income tax in accumulated other comprehensive income. The amount recognized in accumulated other comprehensive income 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, postemployment 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 and asset by the discount rate is recognized as net interest expense in profit or loss. If the defined benefit pension plan has a surplus, the net defined benefit asset is limited to the present value of any future economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

As a result, other components of equity increased by ¥916 million at January 1, 2017. At December 31, 2017, other components of equity and other noncurrent assets decreased by ¥2,331 million and ¥6,611 million, and retirement benefit liabilities increased by ¥139 million. Cost of sales and selling, general, and administrative expenses increased by ¥1,727 million and ¥660 million for the year ended December 31, 2017.

Remeasurements of the net defined liability and asset are recognized at the amount net of income tax in other comprehensive income, and transferred from other components of equity directly to retained earnings, not through profit or loss.

As a result, other components of equity increased by ¥25,308 million and ¥22,469 million at January 1, and December 31, 2017, respectively.

E. Exchange differences on translating foreign operations

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

As a result, other components of equity decreased by ¥26,009 million and ¥25,646 million at January 1, and December 31, 2017, respectively.

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 measures related revenue or the timing when related incentive programs are provided to the customers.

Whereas under IFRS, discounts and rebates depending on sales volumes are measured and recognized when the Company satisfies performance obligations by the method that seems to appropriately estimate the amount of consideration by using past, current and future expected information which is reasonably available to the Company.

As a result, other current liabilities increased by ¥6,455 million and ¥6,366 million at January 1, and December 31, 2017, respectively. Revenue decreased by ¥77 million for the year ended December 31, 2017.

Under U.S. GAAP, revenue from short-term construction contracts is recognized by the completed-contract method.

Whereas under IFRS, revenue from construction contracts are considered to be transferred control of promised assets over time, revenue from those contracts is recognized over time by measuring the progress towards complete satisfaction regardless of the term of those contracts.

As a result, other current assets increased by ¥5,580 million and ¥5,160 million at January 1, and December 31, 2017, respectively. Inventories decreased by ¥3,582 million and ¥3,791 million at January 1, and December 31, 2017, respectively. Revenue decreased by ¥420 million and cost of sales increased by ¥209 million for the year ended December 31, 2017, respectively.

G. Income tax expenses

Under U.S. GAAP, subsequent changes to deferred tax assets and liabilities recognized on items previously recognized in other comprehensive income 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 are recognized in other comprehensive income.

As a result, other component of equity increased by ¥20,912 million at January 1, and December 31, 2017, respectively.

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.

As a result, net deferred tax assets decreased by ¥318 million and ¥1,908 million at January 1, and December 31, 2017, respectively. Income tax expenses increased by ¥1,590 million for the year ended December 31, 2017.

H. Retained earnings

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

(Unit: millions of yen)

	January 1, 2017 (Transition date)	December 31, 2017
Capitalization of development expenditures	¥ 2,059	¥ 5,336
Impairment of goodwill	(4,639)	(4,639)
Postemployment benefit	(26,224)	(24,950)
Exchange differences on translating foreign operations	26,009	25,646
Revenue recognition	(2,343)	(3,935)
Income taxes expenses	(21,375)	(23,213)
Others	390	186
Effects of the transition on retained earnings	¥ (26,123)	¥ (25,569)

e) Notes to reconciliation of consolidated statement of cash flows for the year ended December 31, 2017

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 under IFRS.

Under U.S. GAAP, increase in and collection of finance receivables were classified into cash flows from investing activities, whereas under IFRS, they are classified into cash flows from operating activities.

(12) Consolidated revenue by product group

(Unit: millions of yen)

	Year ended Dec. 31, 2018		Year ended Dec. 31, 2017		Change	
	Amount	%	Amount	%	Amount	%
Farm Equipment and Engines	¥ **1,237,907**	**66.9**	¥ **1,178,919**	**67.3**	¥ **58,988**	**5.0**
Domestic	271,636		259,209		12,427	4.8
Overseas	966,271		919,710		46,561	5.1
Construction Machinery	**289,722**	**15.7**	**257,582**	**14.7**	**32,140**	**12.5**
Domestic	37,298		35,310		1,988	5.6
Overseas	252,424		222,272		30,152	13.6
Farm & Industrial Machinery	**1,527,629**	**82.6**	**1,436,501**	**82.0**	**91,128**	**6.3**
Domestic	308,934	16.7	294,519	16.8	14,415	4.9
Overseas	1,218,695	65.9	1,141,982	65.2	76,713	6.7
Pipe-related Products	**157,761**	**8.5**	**163,665**	**9.3**	**(5,904)**	**(3.6)**
Domestic	140,549		149,306		(8,757)	(5.9)
Overseas	17,212		14,359		2,853	19.9
Environment-related Products	**85,517**	**4.6**	**78,400**	**4.5**	**7,117**	**9.1**
Domestic	72,712		67,861		4,851	7.1
Overseas	12,805		10,539		2,266	21.5
Social Infrastructure-related Products	**49,003**	**2.7**	**43,610**	**2.5**	**5,393**	**12.4**
Domestic	25,117		23,546		1,571	6.7
Overseas	23,886		20,064		3,822	19.0
Water & Environment	**292,281**	**15.8**	**285,675**	**16.3**	**6,606**	**2.3**
Domestic	238,378	12.9	240,713	13.7	(2,335)	(1.0)
Overseas	53,903	2.9	44,962	2.6	8,941	19.9
Other	**30,406**	**1.6**	**28,862**	**1.7**	**1,544**	**5.3**
Domestic	30,028	1.6	28,561	1.7	1,467	5.1
Overseas	378	0.0	301	0.0	77	25.6
Total	¥ **1,850,316**	**100.0**	¥ **1,751,038**	**100.0**	¥ **99,278**	**5.7**
Domestic	577,340	31.2	563,793	32.2	13,547	2.4
Overseas	1,272,976	68.8	1,187,245	67.8	85,731	7.2

Note:

Beginning with the current 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.

(13) Anticipated consolidated revenue by reportable segment

(Unit: billions of yen)

	Year ending Dec. 31, 2019		Year ended Dec. 31, 2018		Change	
	Amount	%	Amount	%	Amount	%
Domestic	¥ 323.0		¥ 308.9		¥ 14.1	4.6
Overseas	1,287.0		1,218.7		68.3	5.6
Farm & Industrial Machinery	1,610.0	81.7	1,527.6	82.6	82.4	5.4
Domestic	272.0		238.4		33.6	14.1
Overseas	57.0		53.9		3.1	5.7
Water & Environment	329.0	16.7	292.3	15.8	36.7	12.6
Domestic	31.0		30.0		1.0	3.2
Overseas	—		0.4		(0.4)	(100.0)
Other	31.0	1.6	30.4	1.6	0.6	2.0
Total	¥ 1,970.0	100.0	¥ 1,850.3	100.0	¥ 119.7	6.5

Domestic	¥ 626.0	31.8	¥ 577.3	31.2	¥ 48.7	8.4
Overseas	1,344.0	68.2	1,273.0	68.8	71.0	5.6

4. Results of operations for the three months ended December 31, 2018

(1) Condensed consolidated statement of profit or loss

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

	Three months ended Dec. 31, 2018		Three months ended Dec. 31, 2017		Change	
	Amount	%	Amount	%	Amount	%
Revenue	¥ 485,924	100.0	¥ 480,669	100.0	¥ 5,255	1.1
Cost of sales	(351,256)		(342,552)		(8,704)	
Selling, general, and administrative expenses	(90,802)		(87,128)		(3,674)	
Other income	2,965		1,013		1,952	
Other expenses	(5,959)		(1,274)		(4,685)	
Operating profit	40,872	8.4	50,728	10.6	(9,856)	(19.4)
Finance income	3,530		4,510		(980)	
Finance costs	(805)		(2,326)		1,521	
Profit before income taxes	43,597	9.0	52,912	11.0	(9,315)	(17.6)
Income tax expenses	(8,326)		(25,523)		17,197	
Share of profits of investments accounted for using the equity method	562		758		(196)	
Profit for the period	¥ 35,833	7.4	¥ 28,147	5.9	¥ 7,686	27.3
Profit attributable to:						
Owners of the parent	¥ 32,671	6.7	¥ 26,165	5.4	¥ 6,506	24.9
Noncontrolling interests	3,162	0.7	1,982	0.5	1,180	59.5
Earnings per share attributable to owners of the parent:						
Basic	¥ 26.52		¥ 21.20			
Diluted	26.52		—			

(2) Consolidated segment information

a) Reportable segments

Information by reportable segment is summarized as follows:

Three months ended December 31, 2018 (Unit: millions of yen)

		Farm & Industrial Machinery	Water & Environment	Other	Adjustments	Consolidated
Revenue	External customers	¥ 388,078	¥ 89,307	¥ 8,539	¥ —	¥ 485,924
	Intersegment	116	531	7,909	(8,556)	—
	Total	388,194	89,838	16,448	(8,556)	485,924
Operating profit		¥ 42,795	¥ 8,731	¥ 1,261	¥ (11,915)	¥ 40,872

Three months ended December 31, 2017 (Unit: millions of yen)

		Farm & Industrial Machinery	Water & Environment	Other	Adjustments	Consolidated
Revenue	External customers	¥ 387,906	¥ 85,468	¥ 7,295	¥ —	¥ 480,669
	Intersegment	136	816	6,950	(7,902)	—
	Total	388,042	86,284	14,245	(7,902)	480,669
Operating profit		¥ 50,300	¥ 7,818	¥ 847	¥ (8,237)	¥ 50,728

Notes:

1. "Adjustments" include the items, such as the elimination of intersegment transfers, and corporate expenses which are not allocated to any of a particular reportable segment. The corporate expenses included in "Adjustments" consists mainly of expenses of the administration department, basic research expenses, and foreign exchange gains or losses incurred in 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.

b) Geographic information

Information about revenue from external customers by location is summarized as follows:

(Unit: millions of yen)

	Three months ended Dec. 31, 2018	Three months ended Dec. 31, 2017
Japan	¥ 154,565	¥ 148,392
North America	167,726	166,550
Europe	60,926	58,390
Asia outside Japan	85,260	86,695
Other areas	17,447	20,642
Total	¥ 485,924	¥ 480,669

Notes:

1. Revenue from North America included that from the United States of ¥ 154,891million and ¥ 150,493 million for the three months ended December 31, 2018 and 2017, respectively.

2. There was no single customer from whom revenue exceeded 10% of total consolidated revenue of the Company.

(3) Consolidated revenue by product group

(Unit: millions of yen)

	Three months ended Dec. 31, 2018		Three months ended Dec. 31, 2017		Change	
	Amount	%	Amount	%	Amount	%
Farm Equipment and Engines	¥ **319,163**	**65.7**	¥ **314,644**	**65.5**	¥ **4,519**	**1.4**
Domestic	61,139		57,647		3,492	6.1
Overseas	258,024		256,997		1,027	0.4
Construction Machinery	**68,915**	**14.2**	**73,262**	**15.2**	**(4,347)**	**(5.9)**
Domestic	13,073		12,393		680	5.5
Overseas	55,842		60,869		(5,027)	(8.3)
Farm & Industrial Machinery	**388,078**	**79.9**	**387,906**	**80.7**	**172**	**0.0**
Domestic	74,212	15.3	70,040	14.6	4,172	6.0
Overseas	313,866	64.6	317,866	66.1	(4,000)	(1.3)
Pipe-related Products	**47,648**	**9.8**	**51,579**	**10.7**	**(3,931)**	**(7.6)**
Domestic	42,665		45,585		(2,920)	(6.4)
Overseas	4,983		5,994		(1,011)	(16.9)
Environment-related Products	**27,060**	**5.6**	**22,389**	**4.7**	**4,671**	**20.9**
Domestic	22,388		19,182		3,206	16.7
Overseas	4,672		3,207		1,465	45.7
Social Infrastructure-related Products	**14,599**	**3.0**	**11,500**	**2.4**	**3,099**	**26.9**
Domestic	6,856		6,365		491	7.7
Overseas	7,743		5,135		2,608	50.8
Water & Environment	**89,307**	**18.4**	**85,468**	**17.8**	**3,839**	**4.5**
Domestic	71,909	14.8	71,132	14.8	777	1.1
Overseas	17,398	3.6	14,336	3.0	3,062	21.4
Other	**8,539**	**1.7**	**7,295**	**1.5**	**1,244**	**17.1**
Domestic	8,444	1.7	7,220	1.5	1,224	17.0
Overseas	95	0.0	75	0.0	20	26.7
Total	¥ **485,924**	**100.0**	¥ **480,669**	**100.0**	¥ **5,255**	**1.1**
Domestic	154,565	31.8	148,392	30.9	6,173	4.2
Overseas	331,359	68.2	332,277	69.1	(918)	(0.3)

Note:

Beginning with the current 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 three months ended December 31, 2017 has been retrospectively adjusted to conform to the current fiscal year's presentation.

5. Other

(1) Changes of management (Effective as of March 22, 2019)

a) Appointment of new Directors

Name	Current responsibility
Toshihiko Kurosawa	Senior Managing Executive Officer of Kubota corporation
Dai Watanabe	Senior Managing Executive Officer of Kubota corporation

b) Retirement of Directors (Expiration of the term of offices)

Name

Toshihiro Kubo
Shigeru Kimura
Kenshiro Ogawa

c) Appointment of new Audit & Supervisory Board Members

Name	Current responsibility
Masato Hinenoya	Representative of Hinenoya CPA
Kumi Arakane	Full-time Audit & Supervisory Board Member of KOSÉ Corporation

* Masato Hinenoya and Kumi Arakane are candidates for Outside Audit & Supervisory Board Members.

d) Retirement of Audit & Supervisory Board Members (Expiration of the term of offices)

Name

Akira Morita (part-time)
Teruo Suzuki (part-time)