

[Translation]

Quarterly Report

(The First Quarter of the 130th Business Term)
From January 1, 2019 to March 31, 2019

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

Kubota Corporation

TABLE OF CONTENTS

1. Overview of the Company	1
1. Key Financial Data	1
2. Description of Business	1
2. Business Overview	2
1. Risk Factors	2
2. Analysis of Consolidated Financial Condition, Results of Operations, and Cash Flows by Management.....	2
3. Material Contracts	4
3. Information on Kubota Corporation	5
1. Information on the Shares of Kubota Corporation	5
2. Changes in Directors and Senior Management	6
4. Financial Information	7
1. Condensed Consolidated Financial Statements	7
2. Other	22

Confirmation Letter

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This is an English translation of the Quarterly Report filed with the Director of the Kanto Local Finance Bureau via Electronic Disclosure for Investors’ NETwork (“EDINET”) pursuant to the Financial Instruments and Exchange Act of Japan.

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

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

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

1. Overview of the Company

1. Key Financial Data

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

	Three months ended March 31, 2019	Three months ended March 31, 2018	Year ended December 31, 2018
Revenue	¥ 480,712	¥ 428,621	¥ 1,850,316
Profit before income taxes	54,164	45,034	197,230
Profit attributable to owners of the parent	37,282	29,869	138,595
Comprehensive income attributable to owners of the parent	47,489	(16,702)	87,544
Equity attributable to owners of the parent	1,365,789	1,258,067	1,339,850
Total assets	3,038,306	2,748,187	2,895,655
Earnings per share attributable to owners of the parent:			
Basic	30.26	24.21	112.44
Diluted	—	—	112.44
Ratio of equity attributable to owners of the parent to total assets (%)	45.0	45.8	46.3
Net cash provided by (used in) operating activities	10,533	(19,467)	89,148
Net cash used in investing activities	(38,840)	(15,951)	(58,756)
Net cash provided by (used in) financing activities	9,011	(15,118)	(27,816)
Cash and cash equivalents, at the end of the period	211,509	178,706	229,123

(Notes)

1. The condensed consolidated financial statements and the consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”).
2. As the Company prepares the condensed consolidated financial statements, its non-consolidated financial data are not presented.
3. Revenue does not include consumption taxes.
4. Amounts less than presentation units are rounded to the nearest unit.
5. *Earnings per share attributable to owners of the parent—Diluted* for the three months ended March 31, 2019 and 2018 are not stated because Kubota Corporation did not have potentially dilutive common shares that were outstanding during those periods.

2. Description of Business

There were no material changes in the Company’s business during the three months ended March 31, 2019, nor were there any material changes in its associates.

2. Business Overview

1. Risk Factors

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

In addition, there were no material concerns or events as of March 31, 2019.

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

(1) Analysis of Results of Operations

For the three months ended March 31, 2019, revenue of the Company increased by ¥52.1 billion (12.2%) from the same period in the prior year to ¥480.7 billion.

Domestic revenue increased by ¥6.6 billion (4.4%) from the same period in the prior year to ¥155.9 billion because of increased revenue in all reportable segments, such as Farm & Industrial Machinery, Water & Environment, and Other.

Overseas revenue increased by ¥45.5 billion (16.3%) from the same period in the prior year to ¥324.8 billion because revenue in Farm & Industrial Machinery significantly increased due to strong sales of tractors and construction machinery. On the other hand, revenue in Water & Environment decreased.

Operating profit increased by ¥9.0 billion (20.5%) from the same period in the prior year to ¥52.9 billion. This increase was mainly due to some positive effects from increased sales in the domestic and overseas markets and the improved foreign exchange gain or loss, while there were some negative effects from increased fixed costs and a rise in material prices. Profit before income taxes increased by ¥9.1 billion (20.3%) from the same period in the prior year to ¥54.2 billion due to increased operating profit. Income tax expenses were ¥14.3 billion and profit for the period increased by ¥7.7 billion (23.5%) from the same period in the prior year to ¥40.4 billion. Profit attributable to owners of the parent increased by ¥7.4 billion (24.8%) from the same period in the prior year to ¥37.3 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 14.9% from the same period in the prior year to ¥390.1 billion, and accounted for 81.1% of consolidated revenue.

Domestic revenue increased by 4.9% from the same period in the prior year to ¥75.6 billion due to increased sales of farm equipment, agricultural-related products, engines, and construction machinery.

Overseas revenue increased by 17.6% from the same period in the prior year to ¥314.5 billion. In North America, sales of tractors and construction machinery significantly increased due to restocking by dealers as well as solid demand. In Europe, revenue was almost at the same level as the prior year due to a negative effect from the yen appreciation against the Euro and the British pound sterling, while sales of tractors and engines increased. In Asia outside Japan, revenue increased because sales of farm equipment in Thailand significantly increased mainly due to stable prices of agricultural products. On the other hand, sales of combine harvesters and rice transplanters in China were stagnant.

Operating profit in this segment increased by 10.3% from the same period in the prior year to ¥51.8 billion due to some positive effects from increased revenue in domestic and overseas markets and decreased sales promotion expenses resulting from declined interest rates in the United States, which compensated for some negative effects from increased fixed costs and a rise in material prices.

2) Water & Environment

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

Revenue in this segment increased by 1.5% from the same period in the prior year to ¥82.5 billion, and accounted for 17.2% of consolidated revenue.

Domestic revenue increased by 4.2% from the same period in the prior year to ¥72.3 billion. Revenue from pipe- and infrastructure-related products decreased due to a decrease mainly in sales of industrial castings and spiral-welded steel pipes, while sales of ductile iron pipes increased. Revenue from environment-related products increased due to revenue from construction of waste disposal and treatment facility in Futaba Town, Fukushima Prefecture.

Overseas revenue decreased by 14.1% from the same period in the prior year to ¥10.2 billion. Export sales of ductile iron pipes and pumps to the Middle East decreased significantly.

Operating profit in this segment increased by 3.2% from the same period in the prior year to ¥9.1 billion due to reduction in fixed costs.

3) Other

Other is mainly comprised of a variety of services.

Revenue in this segment increased by 2.8% from the same period in the prior year to ¥8.1 billion, and accounted for 1.7% of consolidated revenue.

Operating profit in this segment increased by 48.5% from the same period in the prior year to ¥1.1 billion.

(2) Analysis of Financial Condition

Total assets at March 31, 2019 were ¥3,038.3 billion, an increase of ¥142.7 billion from the prior fiscal year-end.

With respect to assets, trade receivables significantly increased mainly due to increased overseas sales of Farm & Industrial Machinery. In addition, property, plant, and equipment also increased due to recognition of right-of-use assets along with adoption of IFRS 16 *Leases*.

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

Equity attributable to owners of the parent increased due to the accumulation of retained earnings and improved other components of equity, which was due to fluctuations in foreign exchange rates and prices of securities. The ratio of equity attributable to owners of the parent to total assets stood at 45.0%, 1.3 percent lower than the prior fiscal year-end.

(3) Analysis of Cash Flows

Net cash provided by operating activities during the three months ended March 31, 2019 was ¥10.5 billion, an increase of ¥30.0 billion in net cash inflow compared with the same period in the prior year. This increase resulted mainly from an increase in profit for the period and a decrease in income taxes paid, net.

Net cash used in investing activities was ¥38.8 billion, an increase of ¥22.9 billion in net cash outflow compared with the same period in the prior year. This increase was mainly due to an increase in cash outflow related to acquisition of property, plant, and equipment and intangible assets.

Net cash provided by financing activities was ¥9.0 billion, an increase of ¥24.1 billion in net cash inflow compared with the same period in the prior year. This increase 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 March 31, 2019 were ¥211.5 billion, a decrease of ¥17.6 billion from the beginning of the current period.

(4) Issues to Address on Business and Finance

There were no material changes in the outstanding issues for the Company to address during the three months ended March 31, 2019, and no additional issues arose during the period.

(5) Research and Development

The Company's research and development expenses for the three months ended March 31, 2019 were ¥13.6 billion.

There were no material changes in the Company's research and development activities during the three months ended March 31, 2019.

3. Material Contracts

There were no material contracts which were approved for conclusion or concluded for the three months ended March 31, 2019.

3. Information on Kubota Corporation

1. Information on the Shares of Kubota Corporation

(1) Total Number of Shares

1) Total Number of Shares

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

2) Issued Shares

Class	Number of shares issued as of end of period (shares) (March 31, 2019)	Number of shares issued as of filing date (shares) (May 14, 2019)	Stock exchange on which Kubota Corporation is listed	Description
Common shares	1,232,556,846	1,232,556,846	Tokyo Stock Exchange, Inc. (the first section)	The number of shares per one unit of shares is 100 shares.
Total	1,232,556,846	1,232,556,846	—	—

(2) Information on Share Acquisition Rights

1) Details of Stock Option Plan

Not applicable.

2) Details of Other Stock Acquisition Rights

Not applicable.

(3) Information on Moving Strike Convertible Bonds

Not applicable.

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

Date	Changes in the total number of issued shares (thousands of shares)	Balance of the total number of issued shares (thousands of shares)	Changes in common stock (millions of yen)	Balance of common stock (millions of yen)	Changes in capital reserve (millions of yen)	Balance of capital reserve (millions of yen)
From: January 1, 2019	—	1,232,556	¥ —	¥ 84,130	¥ —	¥ 73,117
To: March 31, 2019	—	1,232,556	¥ —	¥ 84,130	¥ —	¥ 73,117

(5) Major Shareholders

Not applicable.

(6) Information on Voting Rights

Information on voting rights on the shareholders' list as of December 31, 2018 is stated in this sub-section since Kubota Corporation could not identify the number of voting rights as of March 31, 2019 due to the lack of information.

1) Issued Shares

(As of December 31, 2018)

Classification	Number of shares (shares)	Number of voting rights	Description
Shares without voting rights	—	—	—
Shares with restricted voting rights (treasury shares, etc.)	—	—	—
Shares with restricted voting rights (others)	—	—	—
Shares with full voting rights (treasury shares, etc.)	(Treasury shares) Common shares:	—	—
	102,200		

	(Crossholding shares) Common shares:	718,400		
Shares with full voting rights (others)	Common shares:	1,231,478,900	12,314,789	—
Shares less than one unit	Common shares:	257,346	—	Shares less than one unit (100 shares)
Number of issued shares		1,232,556,846	—	—
Total number of voting rights		—	12,314,789	—

(Note)

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

2) Treasury Shares

(As of December 31, 2018)

Name of shareholder	Address	Number of shares held under own name (shares)	Number of shares held under the names of others (shares)	Total shares held (shares)	Ownership percentage to the total number of issued shares (%)
(Treasury share) Kubota Corporation	2-47, Shikitsu Higashi 1-chome, Naniwa-ku, Osaka, JAPAN	102,200	—	102,200	0.00
(Crossholding shares) Akita Kubota Corporation	295-38, Terauchikamiyashiki, Akita-shi, Akita, JAPAN	41,400	—	41,400	0.00
Minami Tohoku Kubota Corporation	16-1, Takakura Sugishita, Hiwadamachi, Koriyama-shi, Fukushima, JAPAN	102,000	—	102,000	0.00
Hokuriku Kinki Kubota Corporation	956-1, Shimokashiwanomachi, Hakusan-shi, Ishikawa, JAPAN	9,000	—	9,000	0.00
Fukuoka Kyushu Kubota Corporation	11-36, Noma 1-chome, Minami-ku, Fukuoka, JAPAN	566,000	—	566,000	0.04
Total crossholding share	—	718,400	—	718,400	0.05
Total	—	820,600	—	820,600	0.06

2. Changes in Directors and Senior Management

There has been no change in Directors nor senior management since the filing date of the Annual Securities Report for the 129th business term to March 31, 2019.

(Reference Information)

Kubota Corporation adopted the Executive Officer System. There has been no change in Executive Officers who do not hold the post of Director since the filing date of the Annual Securities Report for the 129th business term to March 31, 2019.

4. Financial Information

1. Condensed Consolidated Financial Statements

Kubota Corporation and Its Subsidiaries

(1) Condensed Consolidated Statement of Financial Position

(Unit: millions of yen)

	Note	March 31, 2019	December 31, 2018
ASSETS			
Current assets:			
Cash and cash equivalents		¥ 211,509	¥ 229,123
Trade receivables		733,574	660,401
Finance receivables		267,801	267,262
Other financial assets	5	56,547	54,373
Inventories		390,746	370,698
Income taxes receivable		4,650	4,416
Other current assets		50,892	53,250
Total current assets		1,715,719	1,639,523
Noncurrent assets:			
Investments accounted for using the equity method		31,155	30,611
Finance receivables		626,985	621,886
Other financial assets	5	160,257	151,198
Property, plant, and equipment		381,946	330,034
Goodwill and intangible assets		52,380	49,948
Deferred tax assets		50,113	50,055
Other noncurrent assets		19,751	22,400
Total noncurrent assets		1,322,587	1,256,132
Total assets		¥ 3,038,306	¥ 2,895,655

(Unit: millions of yen)

	Note	March 31, 2019	December 31, 2018
LIABILITIES AND EQUITY			
Current liabilities:			
Bonds and borrowings		¥ 388,364	¥ 349,060
Trade payables		326,594	306,759
Other financial liabilities	6	63,506	57,402
Income taxes payable		21,781	9,353
Provisions		25,469	22,415
Other current liabilities	7	187,472	177,834
Total current liabilities		1,013,186	922,823
Noncurrent liabilities:			
Bonds and borrowings		488,818	490,205
Other financial liabilities	6	28,423	4,727
Retirement benefit liabilities		14,515	14,498
Deferred tax liabilities		28,946	29,308
Other noncurrent liabilities	7	7,991	7,661
Total noncurrent liabilities		568,693	546,399
Total liabilities		1,581,879	1,469,222
Equity:			
Equity attributable to owners of the parent:			
Share capital		84,130	84,130
Share premium		85,979	85,305
Retained earnings		1,150,477	1,135,395
Other components of equity		45,526	35,343
Treasury shares		(323)	(323)
Total equity attributable to owners of the parent		1,365,789	1,339,850
Noncontrolling interests		90,638	86,583
Total equity		1,456,427	1,426,433
Total liabilities and equity		¥ 3,038,306	¥ 2,895,655

See notes to condensed consolidated financial statements.

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

Condensed Consolidated Statement of Profit or Loss

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

Three months ended March 31:	Note	2019		2018	
		¥	%	¥	%
Revenue	8	480,712	100.0	428,621	100.0
Cost of sales		(342,026)		(299,123)	
Selling, general, and administrative expenses		(85,114)		(80,358)	
Other income		723		343	
Other expenses		(1,414)		(5,591)	
Operating profit		52,881	11.0	43,892	10.2
Finance income		1,639		4,614	
Finance costs		(356)		(3,472)	
Profit before income taxes		54,164	11.3	45,034	10.5
Income tax expenses		(14,300)		(12,545)	
Share of profits of investments accounted for using the equity method		570		244	
Profit for the period		¥ 40,434	8.4	¥ 32,733	7.6
Profit attributable to:					
Owners of the parent		¥ 37,282	7.8	¥ 29,689	7.0
Noncontrolling interests		¥ 3,152	0.6	¥ 2,864	0.6
Earnings per share attributable to owners of the parent:					
Basic	9	¥ 30.26		¥ 24.21	
Diluted		¥ —		¥ —	

Condensed Consolidated Statement of Comprehensive Income

(Unit: millions of yen)

Three months ended March 31:	Note	2019		2018	
		¥		¥	
Profit for the period		¥ 40,434		¥ 32,733	
Other comprehensive income, net of income tax:					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit pension plans		(11)		253	
Net change in fair value of financial assets measured at fair value through other comprehensive income		6,422		(9,319)	
Items that may be reclassified subsequently to profit or loss:					
Exchange rate differences on translating foreign operations		5,323		(38,963)	
Total other comprehensive income, net of income tax		11,734		(48,029)	
Comprehensive income for the period		¥ 52,168		¥ (15,296)	
Comprehensive income attributable to:					
Owners of the parent		¥ 47,489		¥ (16,702)	
Noncontrolling interests		¥ 4,679		¥ 1,406	

See notes to condensed consolidated financial statements.

(3) Condensed Consolidated Statement of Changes in Equity

(Unit: millions of yen)

	Note	Equity attributable to owners of the parent					Total equity attributable to owners of the parent	Noncontrolling interests	Total equity
		Share capital	Share premium	Retained earnings	Other components of equity	Treasury shares			
Balance as of January 1, 2019		¥ 84,130	¥ 85,305	¥ 1,135,395	¥ 35,343	¥ (323)	¥ 1,339,850	¥ 86,583	¥ 1,426,433
Profit for the period				37,282			37,282	3,152	40,434
Total other comprehensive income, net of income tax					10,207		10,207	1,527	11,734
Comprehensive income for the period				37,282	10,207		47,489	4,679	52,168
Transfer to retained earnings				(16)	16		—		—
Dividends paid	10			(22,184)			(22,184)	(50)	(22,234)
Share-based payments with transfer restrictions			15				15		15
Changes in ownership interests in subsidiaries			659		(40)		619	(574)	45
Balance as of March 31, 2019		¥ 84,130	¥ 85,979	¥ 1,150,477	¥ 45,526	¥ (323)	¥ 1,365,789	¥ 90,638	¥ 1,456,427
Balance as of January 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
Total other comprehensive income, net of income tax					(46,571)		(46,571)	(1,458)	(48,029)
Comprehensive income for the period				29,869	(46,571)		(16,702)	1,406	(15,296)
Transfer to retained earnings				252	(252)		—		—
Dividends paid	10			(20,978)			(20,978)	(55)	(21,033)
Purchases and sales of treasury shares						(1)	(1)		(1)
Share-based payments with transfer restrictions			15				15		15
Changes in ownership interests in subsidiaries							—	9	9
Balance as of March 31, 2018		¥ 84,100	¥ 85,052	¥ 1,050,727	¥ 38,363	¥ (175)	¥ 1,258,067	¥ 86,848	¥ 1,344,915

See notes to condensed consolidated financial statements.

(4) Condensed Consolidated Statement of Cash Flows

(Unit: millions of yen)

Three months ended March 31:	Note	2019	2018
Cash flows from operating activities:			
Profit for the period		¥ 40,434	¥ 32,733
Depreciation and amortization		14,847	11,965
Loss from disposal of property, plant, and equipment and intangible assets, net		341	242
Finance income and costs		(1,148)	(1,137)
Income tax expenses		14,300	12,545
Share of profits of investments accounted for using the equity method		(570)	(244)
Increase in trade receivables		(71,438)	(34,991)
Decrease (increase) in finance receivables		397	(884)
Increase in inventories		(19,803)	(31,415)
Decrease in other assets		8,134	8,626
Increase in trade payables		19,426	13,973
Increase in other liabilities		13,160	8,410
Net changes in retirement benefit assets and liabilities		43	14
Other, net		(3,222)	(4,363)
Interest received		950	896
Dividends received		316	323
Interest paid		(298)	(121)
Income taxes paid, net		(5,336)	(36,039)
Net cash provided by (used in) operating activities		10,533	(19,467)
Cash flows from investing activities:			
Payments for acquisition of property, plant, and equipment		(30,301)	(6,014)
Payments for acquisition of intangible assets		(3,425)	(2,280)
Proceeds from sales and redemptions of securities		2	245
Payments for loans receivable from associates		(11,700)	(15,160)
Collection of loans receivable from associates		9,150	11,871
Payments for time deposits		(7,826)	(10,613)
Proceeds from withdrawal of time deposits		1,554	4,187
Payments for acquisition of short-term investments		(869)	(686)
Proceeds from sales and redemptions of short-term investments		4,840	3,087
Other, net		(265)	(588)
Net cash used in investing activities		(38,840)	(15,951)
Cash flow from financing activities:			
Funding from bonds and long-term borrowings		50,072	20,928
Redemptions of bonds and repayments of long-term borrowings		(47,694)	(72,046)
Net increase in short-term borrowings		32,277	57,034
Payments for lease liabilities		(3,283)	—
Dividends paid	10	(22,184)	(20,978)
Payments for acquisition of noncontrolling interests		(963)	—
Other, net		786	(56)
Net cash provided by (used in) financing activities		9,011	(15,118)
Effect of exchange rate changes on cash and cash equivalents		1,682	(1,478)
Net decrease in cash and cash equivalents		(17,614)	(52,014)
Cash and cash equivalents, at the beginning of the period		229,123	230,720
Cash and cash equivalents, at the end of the period		¥ 211,509	¥ 178,706

See notes to condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements

Kubota Corporation and Its Subsidiaries

1. REPORTING ENTITY

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

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

2. BASIS OF FINANCIAL STATEMENTS

Compliance with International Financial Reporting Standards (“IFRS”)

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

Basis of Measurement

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

Functional Currency and Presentation Currency

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

Significant Accounting Judgements, Estimates, and Assumptions

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Changes in Accounting Policies

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

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

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

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

Definition of lease

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

For the transition to IFRS 16, the Company elects to apply a practical expedient to the definition of lease. The Company applies IFRS 16 to the contracts that were previously identified as leases applying IAS 17 and IFRIC 4 and does not apply IFRS 16 to the contracts that were previously not.

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

Lessee accounting

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

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

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

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

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

Effects to financial statements

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

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

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

4. SEGMENT INFORMATION

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

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

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

Information by reportable segment is summarized as follows:

(Unit: millions of yen)

Three months ended March 31:	Farm & Industrial Machinery	Water & Environment	Other	Adjustments	Consolidated
2019:					
Revenue:					
External customers	¥ 390,071	¥ 82,505	¥ 8,136	¥ —	¥ 480,712
Intersegment	91	296	6,878	(7,265)	—
Total	390,162	82,801	15,014	(7,265)	480,712
Operating profit	¥ 51,788	¥ 9,059	¥ 1,075	¥ (9,041)	¥ 52,881
2018:					
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

(Notes)

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

5. OTHER FINANCIAL ASSETS

Other financial assets are composed of the following:

	(Unit: millions of yen)	
	March 31, 2019	December 31, 2018
Financial assets measured at amortized cost:		
Long-term trade accounts receivable	¥ 36,900	¥ 37,046
Time deposits	13,039	6,654
Restricted cash *	14,042	13,425
Others	19,814	19,976
Financial assets measured at fair value through other comprehensive income:		
Debt financial assets	12,127	15,723
Equity financial assets	120,744	111,509
Financial assets measured at fair value through profit or loss:		
Derivatives	138	1,238
Total	¥ 216,804	¥ 205,571
Current assets	56,547	54,373
Noncurrent assets	160,257	151,198

(Note)

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

6. OTHER FINANCIAL LIABILITIES

Other financial liabilities are composed of the following:

	(Unit: millions of yen)	
	March 31, 2019	December 31, 2018
Financial liabilities measured at amortized cost:		
Lease liabilities	¥ 38,803	¥ 1,957
Notes and accounts payable for capital expenditures	18,632	26,624
Deposits received	18,488	17,752
Others	11,705	12,854
Financial liabilities measured at fair value through profit or loss:		
Derivatives	4,301	2,942
Total	¥ 91,929	¥ 62,129
Current liabilities	63,506	57,402
Noncurrent liabilities	28,423	4,727

7. OTHER LIABILITIES

Other liabilities are composed of the following:

	(Unit: millions of yen)	
	March 31, 2019	December 31, 2018
Employment benefit obligation	¥ 50,665	¥ 43,309
Accrued expenses	34,862	34,054
Refund liabilities	46,671	46,486
Contract liabilities	13,783	12,243
Others	49,482	49,403
Total	¥ 195,463	¥ 185,495
Current liabilities	187,472	177,834
Noncurrent liabilities	7,991	7,661

8. REVENUE

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

(Unit: millions of yen)

Three months ended March 31, 2019	Japan	North America	Europe	Asia outside Japan	Other area	Total
Farm equipment and engines	¥ 66,204	¥ 110,018	¥ 45,013	¥ 65,300	¥ 6,226	¥ 292,761
Construction machinery	8,722	38,926	22,159	7,060	2,959	79,826
Farm & Industrial Machinery	74,926	148,944	67,172	72,360	9,185	372,587
Pipe-related products	40,785	114	2	1,967	392	43,260
Social infrastructure-related products	5,346	1,977	378	1,362	2,161	11,224
Environment-related products	26,169	191	72	1,224	365	28,021
Water & Environment	72,300	2,282	452	4,553	2,918	82,505
Other	8,028	11	1	11	1	8,052
Revenue recognized from:						
Contracts with customers	155,254	151,237	67,625	76,924	12,104	463,144
Other sources of revenue	693	11,444	—	5,034	397	17,568
Total	¥ 155,947	¥ 162,681	¥ 67,625	¥ 81,958	¥ 12,501	¥ 480,712

(Unit: millions of yen)

Three months ended March 31, 2018	Japan	North America	Europe	Asia outside Japan	Other area	Total
Farm equipment and engines	¥ 63,387	¥ 80,472	¥ 42,823	¥ 60,313	¥ 10,095	¥ 257,090
Construction machinery	8,031	24,996	24,125	6,745	3,441	67,338
Farm & Industrial Machinery	71,418	105,468	66,948	67,058	13,536	324,428
Pipe-related products	40,636	114	—	1,630	2,939	45,319
Social infrastructure-related products	6,656	1,899	403	1,275	1,225	11,458
Environment-related products	22,107	123	209	1,870	188	24,497
Water & Environment	69,399	2,136	612	4,775	4,352	81,274
Other	7,819	1	1	12	—	7,833
Revenue recognized from:						
Contracts with customers	148,636	107,605	67,561	71,845	17,888	413,535
Other sources of revenue	702	9,326	—	4,594	464	15,086
Total	¥ 149,338	¥ 116,931	¥ 67,561	¥ 76,439	¥ 18,352	¥ 428,621

Revenue recognized from other sources of revenue includes revenue from retail finance and revenue from finance lease using effective interest rate method. The amounts of the above revenue are ¥13,300 million and ¥11,431 million for the three months ended March 31, 2019 and 2018, respectively.

9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

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

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

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

Three months ended March 31:	2019	2018
		(Unit: millions of yen)
Profit attributable to owners of the parent	¥ 37,282	¥ 29,869
Profit attributable to participating equity financial instruments	—	—
Profit attributable to common shareholders	¥ 37,282	¥ 29,869
		(thousands of shares)
Weighted-average number of common shares outstanding	1,232,121	1,233,659
Weighted-average number of participating equity financial instruments	3	—
Weighted-average number of common shares	1,232,118	1,233,659

There were no potentially dilutive shares outstanding for the three months ended March 31, 2019 and 2018.

10. DIVIDENDS

Dividends paid are as follows:

Three months ended March 31, 2019

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

Three months ended March 31, 2018

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

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

Financial instruments measured at fair value

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

(Unit: millions of yen)

	March 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at fair value through other comprehensive income:				
Debt financial assets	¥ 12,127	¥ —	¥ —	¥ 12,127
Equity financial assets	117,944	—	2,800	120,744
Financial assets measured at fair value through profit or loss:				
Derivatives:				
Foreign exchange contracts	—	122	—	122
Interest rate swap contracts	—	16	—	16
Total	¥ 130,071	¥ 138	¥ 2,800	¥ 133,009
Financial liabilities:				
Financial liabilities measured at fair value through profit or loss:				
Derivatives:				
Foreign exchange contracts	¥ —	¥ 566	¥ —	¥ 566
Interest swap contracts	—	528	—	528
Cross-currency interest rate swap contracts	—	3,207	—	3,207
Total	¥ —	¥ 4,301	¥ —	¥ 4,301

(Unit: millions of yen)

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

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

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

Equity financial assets classified in Level 3 are unlisted equity securities and measured at fair value using methods such as the comparable company comparison method with the earnings before interest and tax ("EBIT") ratio (from 0.4 to 11.4), etc. As the EBIT ratio increases (decreases), the fair values on those equity financial assets increase (decrease).

Transfers between levels are recognized at the end of the reporting periods when such transfers occurred. There

were no significant transfers of financial instruments between the levels for the three months ended March 31, 2019 and 2018.

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

(Unit: millions of yen)

Three months ended March 31:	2019		2018	
Balance at the beginning of the period	¥	3,025	¥	8,123
Gains or losses*		(232)		(222)
Purchases		14		1
Sales		(7)		(230)
Balance at the end of the period	¥	2,800	¥	7,672

(Note)

* Gains or losses are those related to unlisted equity securities held as of March 31, 2019 and 2018, and included in net change in fair value of financial assets measured at fair value through other comprehensive income in the condensed consolidated statement of comprehensive income.

Financial instruments measured at amortized cost

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

(Unit: millions of yen)

	March 31, 2019		December 31, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Finance receivables:				
Retail finance receivables	¥ 646,835	¥ 623,785	¥ 666,787	¥ 640,184
Finance lease receivables	247,951	278,502	222,361	251,150
Long-term trade accounts receivable	67,264	72,192	67,547	72,625
Bonds and borrowings	877,182	870,511	839,265	829,736

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

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

12. CONTINGENT LIABILITIES

Legal Proceedings

Since May 2007, the Company has been subject to 32 asbestos-related lawsuits in Japan, which were filed against the Company or defendant parties consisting of the Japanese government and asbestos-related companies including the Company. The total claims for compensation of all 32 lawsuits aggregate ¥28,127 million, which relate to 732 construction workers who suffered from asbestos-related diseases.

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

Since the above cases will continue until an ultimate outcome is reached and the similar asbestos-related cases in Japan are still pending and have not been finally concluded, the Company is not able to use them as a reference in predicting the ultimate outcomes of the above cases.

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

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

Matters Related to the Health Hazards of Asbestos

The Company's plant in Amagasaki, Hyogo Prefecture, Japan, previously produced asbestos-related products. The Company decided to make voluntary consolation payments to certain residents in June 2005, and established a relief payment program in place as a voluntary consolation payment to the residents in April 2006. With regard to the current and former employees who suffered and are suffering from asbestos-related diseases, the Company provides compensation which is not required by law, but is made in accordance with the Company's internal policies.

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

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

The Company accrues asbestos-related expenses when the Company receives the related claims, which include possible payments to certain residents who lived near the Company's plant and current and former employees, and the special contribution in accordance with the New Asbestos Law. The accrued balances for those expenses are ¥189 million and ¥113 million at March 31, 2019 and December 31, 2018, respectively. The asbestos related expenses recognized for the three months ended March 31, 2019 and 2018 were ¥329 million and ¥262 million, respectively.

13. SUBSEQUENT EVENTS

On April 23, 2019, pursuant to the provisions of the Article 165, Paragraph 2 of the Companies Act, the Board of Directors of the Parent Company resolved to acquire in the market up to 16 million shares and at a total price up to ¥20,000 million of the Parent Company's outstanding common shares on and after April 24, 2019 through December 19, 2019.

14. APPROVAL OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved on May 14, 2019 by Masatoshi Kimata, President and Representative Director of the Parent Company, and Masato Yoshikawa, Director and Senior Managing Executive Officer, General Manager of Planning & Control Headquarters of the Parent Company.

2. Other

On February 14, 2019, the Board of Directors of the Parent Company resolved and paid dividends as follows:

1) Shareholders to Be Paid Dividends

Shareholders of record on December 31, 2018

2) Amount of Dividends

¥18.00 per common share, a total of ¥22,184 million

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

March 25, 2019

COVER

[Document Filed]	Confirmation Letter
[Applicable Law]	Article 24-4-8, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed to]	Director, Kanto Local Finance Bureau
[Filing Date]	May 14, 2019
[Company Name]	Kabushiki Kaisha Kubota
[Company Name in English]	Kubota Corporation
[Title and Name of Representative]	Masatoshi Kimata, President and Representative Director
[Title and Name of CFO]	Masato Yoshikawa, Director and Senior Managing Executive Officer General Manager of Planning & Control Headquarters
[Address of Head Office]	2-47, Shikitsuhigashi 1-chome, Naniwa-ku, Osaka, JAPAN
[Place Where Available for Public Inspection]	Kubota Corporation, Hanshin Office (1-1, Hama 1-chome, Amagasaki-shi, Hyogo, JAPAN) Kubota Corporation, Tokyo Head Office (1-3, Kyobashi 2-chome, Chuo-ku, Tokyo, JAPAN) Kubota Corporation, Chubu Regional Office (22-8, Meieki 3-chome, Nakamura-ku, Nagoya, JAPAN) Kubota Corporation, Yokohama Branch (6, Onoe-cho 1-chome, Naka-ku, Yokohama, JAPAN) Tokyo Stock Exchange, Inc (2-1, Nihombashi Kabuto-cho, Chuo-ku, Tokyo, JAPAN)

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

Masatoshi Kimata, President and Representative Director, and Masato Yoshikawa, Director and Senior Managing Executive Officer, General Manager of Planning & Control Headquarters, confirmed that statements contained in the Quarterly Report for the first quarter of the 130th fiscal year (from January 1, 2019 to March 31, 2019) were adequate under the Financial Instruments and Exchange Act of Japan.

2. Special Notes

Not applicable.