[Translation]

Quarterly Report

(The First Quarter of the 129th Business Term)
From January 1, 2018 to March 31, 2018

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

Kubota Corporation

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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

(¥ in millions, except per share amounts)

	Three months ended March 31, 2018	Three months ended March 31, 2017	Year ended December 31, 2017
Revenue	¥ 428,621	¥ 404,858	¥ 1,751,038
Profit before income taxes	45,034	43,883	214,007
Profit attributable to owners of the parent	29,869	29,416	134,160
Comprehensive (loss) income for the period attributable to owners of the parent	(16,702)	9,199	148,460
Equity attributable to owners of the parent	1,258,067	1,180,134	1,291,094
Total assets	2,748,187	2,580,985	2,832,364
Earnings per share attributable to owners of the parent			
Basic	24.21	23.73	108.45
Diluted	—	—	108.45
Ratio of equity attributable to owners of the parent to total assets (%)	45.8	45.7	45.6
Net cash (used in) provided by operating activities	(19,467)	(2,706)	137,185
Net cash used in investing activities	(15,951)	(17,586)	(45,984)
Net cash used in financing activities	(15,118)	(16,695)	(32,575)
Cash and cash equivalents, end of period	178,706	131,768	230,720

(Notes)

1. The condensed consolidated financial statements and the consolidated financial statements are prepared in accordance with International Financial Reporting Standards (hereinafter, “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, 2018 and 2017 are not stated because Kubota Corporation did not have potentially dilutive common shares that were outstanding during the period.

2. Description of Business

There were no material changes in the Company’s business during the three months ended March 31, 2018, nor were there any material changes in its subsidiaries and affiliated companies.

2. Business Overview

1. Risk Factors

For the three months ended March 31, 2018, 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, 2017.

In addition, there were no material concerns or events as of March 31, 2018.

2. Material Contracts

There were no material contracts which were approved for conclusion or concluded for the three months ended March 31, 2018.

3. Analysis of Consolidated Financial Condition, Results of Operations, and Cash Flows

The Company has adopted IFRS instead of accounting principles generally accepted in the United States of America (hereinafter "U.S. GAAP") since the beginning of the current fiscal year. The figures for the three months ended March 31, 2017 and the year ended December 31, 2017 used in the following analysis were reclassified into figures in accordance with IFRS.

(1) Analysis of Results of Operations

For the three months ended March 31, 2018, revenue of the Company increased by ¥23.8 billion (5.9%) from the same period in the prior year to ¥428.6 billion.

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

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

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

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

1) Farm & Industrial Machinery

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

Revenue in this segment increased by 6.2% from the same period in the prior year to ¥339.4 billion and accounted for 79.2% of consolidated revenue.

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

Overseas revenue increased by 6.6% from the same period in the prior year to ¥267.3 billion. In North America, sales of construction machinery, engines, and tractors increased due to solid demand in each market, while there was a negative effect from the yen appreciation against the U.S. dollar. In Europe, sales of construction machinery continued to be solid in addition to the favorable foreign exchange rate of the yen against the Euro and the British pound sterling. In

Asia outside Japan, revenue decreased as sales of farm equipment in China decreased significantly due to the negative effect from delayed announcement of the government subsidy budget for purchasers of farm equipment. In Thailand, sales of tractors were solid due to recovered demand in response to a rise in prices of rice and cassava. In addition, sales of tractors in India increased mainly due to the positive effect from the new model of multi-purpose tractors introduced in the prior year.

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

2) Water & Environment

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

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

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

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

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

3) Other

Other is comprised of a variety of services.

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

Operating profit in Other decreased by 10.7% from the same period in the prior year to ¥0.7 billion.

(2) Analysis of Financial Condition

Total assets at March 31, 2018 were ¥2,748.2 billion, a decrease of ¥84.2 billion from the prior fiscal year-end.

With respect to assets, cash and cash equivalents decreased. In addition, the yen value of assets denominated in foreign currencies, such as finance receivables, decreased due to the yen appreciation mainly against the U.S. dollar compared to the prior fiscal year-end.

With respect to liabilities, the yen value of bonds and borrowings decreased due to the yen appreciation. In addition, income taxes payable decreased as well.

Equity attributable to owners of the parent decreased due to a deterioration in other components of equity in response to fluctuations in foreign exchange rates and prices of securities, while retained earnings increased. The ratio of equity attributable to owners of the parent to total assets stood at 45.8%, 0.2 percent higher than at the prior fiscal year-end.

(3) Analysis of Cash Flows

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

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

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

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

(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, 2018, and no additional issue arose during the period.

(5) Research and Development

The Company's research and development expenses for the three months ended March 31, 2018 were ¥10.8 billion. There were no material changes in the Company's research and development activities during the three months ended March 31, 2018.

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, 2018)	Number of shares issued as of filing date (shares) (May 15, 2018)	Stock exchange on which Kubota Corporation is listed	Description
Common shares	1,234,024,216	1,234,056,846	Tokyo Stock Exchange, Inc. (the first section)	The number of shares per one unit of shares is 100 shares.
Total	1,234,024,216	1,234,056,846	—	—

(Note)

On April 20, 2018, 32,630 shares were newly issued as consideration for ¥60 million of monetary remuneration under the restricted stock compensation plan.

(2) Information on Share Acquisition Rights

Not applicable

(3) Information on Moving Strike Convertible Bonds

Not applicable

(4) Information on Shareholder Rights Plans

Not applicable

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

Date	Changes in the total number of issued shares (thousands of shares)	Balance of the total number of issued shares (thousands of shares)	Changes in common shares (¥ in millions)	Balance of common shares (¥ in millions)	Changes in capital reserve (¥ in millions)	Balance of capital reserve (¥ in millions)
From: January 1, 2018 To: March 31, 2018	—	1,234,024	¥ —	¥ 84,100	¥ —	¥ 73,087

(6) Major Shareholders

Not applicable

(7) Information on Voting Rights

Information on voting rights on the shareholders' list as of December 31, 2017 is stated in this sub-section since Kubota Corporation could not identify the number of voting rights as of March 31, 2018 due to the lack of information.

1) Issued Shares

(As of December 31, 2017)

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:	24,900	—	—
	(Crossholding shares) Common shares:	718,400		
Shares with full voting rights (others)	Common shares:	1,233,022,100	12,330,221	—
Shares less than one unit	Common shares:	258,816	—	Shares less than one unit (100 shares)
Number of issued shares		1,234,024,216	—	—
Total number of voting rights		—	12,330,221	—

(Notes)
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, 2017)

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, Shikitsuhigashi 1-chome, Naniwa-ku, Osaka, JAPAN	24,900	—	24,900	0.00
(Crossholding share) 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	—	743,300	—	743,300	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 128th business term to March 31, 2018.

(Reference Information)

Kubota Corporation adopted the Executive Officer System. Change in the Executive Officers who do not hold the post of Director since the filing date of the Annual Securities Report for the 128th business term to March 31, 2018 is as follows:

New Company and position and responsibility		Former Company and position and responsibility		Name	Date of change
Kubota Environmental Services Co., Ltd.	Audit & Supervisory Board Member (Full-time)	Kubota Corporation	Executive Officer of Kubota Corporation, Deputy General Manager of CSR Planning & Coordination Headquarters	Junji Ogawa	March 28, 2018

4. Financial Information

1. Condensed Consolidated Financial Statements

Kubota Corporation and its Subsidiaries

(1) Condensed Consolidated Statement of Financial Position

(¥ in millions)

	Note	March 31, 2018	December 31, 2017	January 1, 2017 (Transition date)
ASSETS				
Current assets:				
Cash and cash equivalents		¥ 178,706	¥ 230,720	¥ 169,416
Trade receivables		658,575	639,083	623,410
Finance receivables		238,016	250,684	230,925
Other financial assets	5	55,953	51,515	63,710
Inventories		377,365	358,854	352,598
Income taxes receivable		17,163	20,787	17,325
Other current assets		48,697	56,783	52,414
Total current assets		1,574,475	1,608,426	1,509,798
Non-current assets:				
Investments accounted for using the equity method		29,566	29,333	28,505
Finance receivables		530,465	559,479	491,444
Other financial assets	5	179,567	188,738	184,854
Property, plant, and equipment		314,690	321,741	301,866
Goodwill and intangible assets		46,032	46,983	40,340
Deferred tax assets		44,714	48,987	50,698
Other non-current assets		28,678	28,677	26,275
Total non-current assets		1,173,712	1,223,938	1,123,982
Total assets		¥ 2,748,187	¥ 2,832,364	¥ 2,633,780

(¥ in millions)

	Note	March 31, 2018	December 31, 2017	January 1, 2017 (Transition date)
LIABILITIES AND EQUITY				
Current liabilities:				
Bonds and borrowings		¥ 369,308	¥ 363,488	¥ 338,488
Trade payables		296,065	286,121	255,859
Other financial liabilities		39,839	39,561	45,148
Income taxes payable		13,777	37,221	19,650
Provisions		20,518	21,213	17,387
Other current liabilities	6	173,887	169,849	157,872
Total current liabilities		913,394	917,453	834,404
Non-current liabilities:				
Bonds and borrowings		429,298	470,613	476,871
Other financial liabilities		4,279	3,621	1,919
Retirement benefit liabilities		12,525	12,943	12,091
Deferred tax liabilities		33,567	41,175	35,861
Other non-current liabilities	6	10,209	10,991	5,560
Total non-current liabilities		489,878	539,343	532,302
Total liabilities		1,403,272	1,456,796	1,366,706
Equity:				
Equity attributable to owners of the parent:				
Share capital		84,100	84,100	84,070
Share premium		85,052	85,037	84,605
Retained earnings		1,050,727	1,040,207	954,819
Other components of equity		38,363	81,924	70,463
Treasury shares, at cost		(175)	(174)	(192)
Total equity attributable to owners of the parent		1,258,067	1,291,094	1,193,765
Non-controlling interests		86,848	84,474	73,309
Total equity		1,344,915	1,375,568	1,267,074
Total liabilities and equity		¥ 2,748,187	¥ 2,832,364	¥ 2,633,780

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

(¥ in millions, except per share amounts)

For the three months ended March 31:	Note		2018	%		2017	%
Revenue	7	¥	428,621	100.0	¥	404,858	100.0
Cost of sales			(299,123)			(289,736)	
Selling, general, and administrative expenses			(80,358)			(73,103)	
Other income			343			423	
Other expenses			(5,591)			(2,188)	
Operating profit			43,892	10.2		40,254	9.9
Finance income			4,614			7,246	
Finance costs			(3,472)			(3,617)	
Profit before income taxes			45,034	10.5		43,883	10.8
Income tax expenses			(12,545)			(12,558)	
Share of profits of investments accounted for using the equity method			244			245	
Profit for the period		¥	32,733	7.6	¥	31,570	7.8

Profit attributable to:							
Owners of the parent		¥	29,869	7.0	¥	29,416	7.3
Non-controlling interests		¥	2,864	0.6	¥	2,154	0.5

Earnings per share attributable to owners of the parent:	8						
Basic		¥	24.21		¥	23.73	
Diluted		¥	—		¥	—	

Condensed Consolidated Statement of Comprehensive Income

(¥ in millions)

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

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

See notes to condensed consolidated financial statements.

(3) Condensed Consolidated Statement of Changes in Equity

(¥ in millions)

	Note	Equity attributable to owners of the parent						Non-contolling interests	Total equity
		Share capital	Share premium	Retained earnings	Other components of equity	Treasury shares, at cost	Total		
Balance at 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	3			1,377	3,262		4,639	1,014	5,653
Profit for the period				29,869			29,869	2,864	32,733
Other comprehensive loss for the period, net of tax					(46,571)		(46,571)	(1,458)	(48,029)
Comprehensive loss for the period				29,869	(46,571)		(16,702)	1,406	(15,296)
Reclassified into retained earnings				252	(252)		—		—
Dividends paid	9			(20,978)			(20,978)	(55)	(21,033)
Purchases and sales of treasury shares						(1)	(1)		(1)
Restricted stock compensation			15				15		15
Changes in ownership interests in subsidiaries							—	9	9
Balance at March 31, 2018		¥ 84,100	¥ 85,052	¥ 1,050,727	¥ 38,363	¥ (175)	¥ 1,258,067	¥ 86,848	¥ 1,344,915

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

See notes to condensed consolidated financial statements.

(4) Condensed Consolidated Statement of Cash Flows

(¥ in millions)

For the three months ended March 31:	Note	2018	2017
Operating activities:			
Profit for the period		¥ 32,733	¥ 31,570
Depreciation and amortization		11,965	10,959
(Loss) gains from disposal of property, plant, and equipment		242	(34)
Finance income and costs		(1,137)	(3,477)
Income tax expenses		12,545	12,558
Share of profits of investments accounted for using the equity method		(244)	(245)
Increase in trade receivables		(34,991)	(23,086)
(Increase) decrease in finance receivables		(884)	1,613
Increase in inventories		(31,415)	(16,515)
Decrease in other assets		8,626	15,970
Increase (decrease) in trade payables		13,973	(15,244)
Increase (decrease) in other liabilities		8,410	(112)
Other		(4,349)	(1,650)
Interest received		896	899
Dividends received		323	287
Interest paid		(121)	(350)
Income taxes paid		(36,039)	(15,849)
Net cash used in operating activities		(19,467)	(2,706)
Investing activities:			
Acquisition of property, plant, and equipment		(6,014)	(11,448)
Acquisition of intangible assets		(2,280)	(1,487)
Proceeds from sales and redemptions of securities		245	3,914
Net increase in short-term loans receivable from associates		(3,289)	(1,968)
Net increase in time deposits		(6,426)	(4,447)
Net decrease in marketable securities		2,401	—
Other		(588)	(2,150)
Net cash used in investing activities		(15,951)	(17,586)
Financing activities:			
Funding from bonds and borrowings		20,928	56,681
Redemptions of bonds and repayments of borrowings		(72,046)	(49,148)
Net increase (decrease) in short-term borrowings		57,034	(1,148)
Payments of dividends	9	(20,978)	(19,857)
Purchases of treasury shares		(1)	(3,211)
Other		(55)	(12)
Net cash used in financing activities		(15,118)	(16,695)
Effect of exchange rate changes on cash and cash equivalents		(1,478)	(661)
Net decrease in cash and cash equivalents		(52,014)	(37,648)
Cash and cash equivalents, beginning of period		230,720	169,416
Cash and cash equivalents, end of period		¥ 178,706	¥ 131,768

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") and its subsidiaries (collectively, the "Company") is a company located in Japan which manufactures and sells 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 (hereinafter, "IFRS") and Disclosure of First-time Adoption

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 since the Company qualifies as a "Specified Company under Designated International Accounting Standards" pursuant to the provision of Article 1-2 of the Ordinance.

The Company adopted IFRS for the first time for the year ending December 31, 2018 and the date of transition to IFRS (hereinafter, the "transition date") was January 1, 2017. In transitioning to IFRS, the Company applied IFRS 1, "First-time Adoption of International Financial Reporting Standards" (hereinafter, "IFRS 1"). The impact of the transition to IFRS on the Company's financial position, operating results, and cash flows is stated in Note 13. DISCLOSURE OF TRANSITION TO IFRS.

Basis of Measurement

Except for the items stated in Note 3. SIGNIFICANT ACCOUNTING POLICIES, the Company's condensed consolidated 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 Estimates and Material Judgements Required for Estimates

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

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

The information related to the judgements used in applying accounting policies which could have a material impact on the Company's condensed consolidated financial statements is as follows:

- Scope of consolidated subsidiaries, affiliates, and joint ventures (please refer to Note 3. SIGNIFICANT ACCOUNTING POLICIES, Basis of Consolidation)
- Classification of financial instruments (please refer to Note 3. SIGNIFICANT ACCOUNTING POLICIES, Financial Instruments)

The information related to risks and uncertainties arising from assumptions and estimates that could result in material adjustments after the financial statement date is as follows:

- Impairment of financial assets measured at amortized cost using the effective interest method (please refer to Note 3. SIGNIFICANT ACCOUNTING POLICIES, Financial Instruments)
- Fair value measurement on financial instruments (please refer to Note 3. SIGNIFICANT ACCOUNTING POLICIES,

Financial Instruments)

- Impairment of non-financial assets (please refer to Note 3. SIGNIFICANT ACCOUNTING POLICIES, Impairment of Non-financial Assets)
- Measurement of provisions (please refer to Note 3. SIGNIFICANT ACCOUNTING POLICIES, Provisions)
- Measurement of defined benefit pension plans (please refer to Note 3. SIGNIFICANT ACCOUNTING POLICIES, Post-employment Benefits)
- Measurement of progress towards complete satisfaction of a performance obligation (please refer to Note 3. SIGNIFICANT ACCOUNTING POLICIES, Revenue Recognition)
- Estimation of variable consideration (please refer to Note 3. SIGNIFICANT ACCOUNTING POLICIES, Revenue Recognition)
- Reliability of deferred tax assets (please refer to Note 3. SIGNIFICANT ACCOUNTING POLICIES, Income Taxes)
- Contingent liabilities (please refer to Note 11. CONTINGENT LIABILITIES)

3. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies apply to all periods presented in the condensed consolidated financial statements, including those as of the transition date, unless otherwise noted.

Basis of Consolidation

(1) Subsidiaries and structured entity

Subsidiaries are entities which are controlled by the Company. The Company controls an entity when the Company has power over the entity, is exposed to, or has rights, to variable returns from its involvement with the entity, and has the ability to affect those returns through its power over the entity. To determine whether or not the Company controls an entity, status of voting rights or similar rights, contractual agreements, whether the Directors and/or employees dispatched from the Company account for a majority of the Board of Directors, and other specific factors are taken into consideration.

The financial statements of subsidiaries are included in the condensed consolidated financial statements from the date when control is obtained until the date when control is lost. Necessary adjustments are made on the financial statements of subsidiaries if their accounting policies differ from those of the Company. Balances of receivables and payables, volume of intercompany transactions, and unrealized profit or loss among intercompany transactions are eliminated in the preparation of the condensed consolidated financial statements. Any change in ownership interests in subsidiaries that does not result in a loss of control is accounted for as an equity transaction. When control is lost, gains or losses arising from the loss of control are recognized in profit or loss.

Structured entities are entities designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. The Company consolidates structured entities over which the Company has control. As a part of fundraising purposes, the Company enters into securitization transactions by transferring a pool of certain finance receivables into newly-formed structured entities. After the transfers, the Company has both the power to direct the activities that most significantly impact on those structured entities' economic performance through its role in managing and controlling its past due or default receivables, and the obligation to absorb losses or receive benefits that could potentially be significant to them through the Company's retention of the residual interest in them. As a result, the Company consolidates them.

(2) Associates and joint ventures

Associates are entities over which the Company has a significant influence over the decisions on financial and operating policies, but does not have control or joint control.

Joint ventures are joint arrangements whereby the parties, including the Company, that have joint control, have rights to the net assets of the arrangements. Joint arrangements are arrangements of which two or more parties have joint control, and joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Investments in associates and joint ventures are accounted for using the equity method from the date when the investees are determined to be associates or joint ventures until the date when they cease to be classified as associates or joint ventures. When an entity no longer meets the criteria for an associate or joint venture and the application of the equity method is discontinued, gains or losses arising from the discontinuation of application of the equity method are recognized in profit or loss, unless the entity meets the criteria for a consolidated subsidiary.

If there is any objective evidence of impairment on investments in affiliates or joint ventures, the Company conducts impairment tests on those investments as a single asset.

Foreign Currency Translation

(1) Foreign currency transactions

Foreign currency transactions are translated into the functional currency of the Company using the exchange rates at the date of the transactions or a rate that approximates such rate.

Foreign currency monetary items at the end of each reporting period are translated into the functional currency using the closing rate, and foreign currency non-monetary items measured at fair value are translated into the functional currency using the exchange rates at the date when the fair value was measured. Exchange differences arising from the translation or settlement are generally recognized in profit or loss.

(2) Translation of foreign operations

Assets and liabilities of foreign operations are translated at the closing rate, while their income and expenses are translated at the average rate during the period. Exchange differences arising from translation are recognized in other comprehensive income.

In an event of a loss of control or significant influence due to the disposal of foreign operations, cumulative translation differences associated with the foreign operation are transferred to profit or loss at the time of disposal.

Financial Instruments

With regard to accounting for financial instruments, the Company adopted IFRS 9, “Financial instruments (2014)” (hereinafter, IFRS9). In accordance with exemptions from the retrospective application of IFRS 7 “Financial Instruments: Disclosures” and IFRS 9, under IFRS 1, the Company applied the previous accounting standards, accounting principles generally accepted in the United States of America (hereinafter, “U.S. GAAP”), for the comparative information.

Accounting policies adopted for the transition date and for the year ended December 31, 2017 are described below.

The Company classifies all its marketable debt securities and marketable equity securities as available-for-sale securities and measured them at fair value with a corresponding recognition of unrealized gains (losses) on securities as an item of other components of equity. The fair values of those securities are determined based on quoted market prices. When a decline in value of a marketable security is deemed to be other-than-temporary, the Company recognizes an impairment loss to the extent of the decline. In determining if and when such a decline in value is other-than-temporary, the Company evaluates the extent to which cost exceeds market value, the duration of the market decline, and other key measures. Nonmarketable securities are stated at cost and reviewed periodically for impairment. Gains and losses on sales of available-for-sale securities as well as nonmarketable securities which are carried at cost are computed using the average-cost method.

The Company provides an allowance for doubtful accounts and credit losses. The allowance for doubtful accounts and credit losses is determined based on the collection status of receivables, historical credit loss experience, economic trends, the customer’s ability to repay, and collateral values. Historical collection trends, as well as prevailing and anticipated economic conditions, are routinely reviewed by management.

In order to hedge foreign currency exchange rate risks and interest rate risks, the Company uses derivative financial instruments, such as foreign exchange forward contracts and interest rate swap contracts. These derivatives are measured at fair value and presented on the condensed consolidated statement of financial position. Because these derivatives do not meet the requirements for hedge accounting, they are categorized as derivatives not designated as cash flow hedges and changes in fair value in these derivatives are reported in profit or loss immediately.

These financial assets are derecognized when they are settled or transferred and the company’s control is expired or abandoned. Financial liabilities are derecognized when they are extinguished.

Accounting policies adopted for the three months ended on March 31, 2018 are as follows.

(1) Financial assets (excluding derivatives)

(Initial recognition)

The Company initially recognizes trade receivables and other receivables on the date such receivables arise and recognizes other financial assets at the transaction date, on which the Company becomes a party to the agreement, at the fair value plus or minus direct transaction costs. However, trade receivables which do not include significant financial components are measured based on transaction price.

(Classification and subsequent measurement)

Financial assets are classified as financial assets measured at amortized cost, debt financial assets measured at fair value through other comprehensive income, or equity instruments measured at fair value through other comprehensive income.

<u>Financial assets measured at amortized cost</u>

Financial assets are subsequently measured at amortized cost using the effective interest method if both of the following conditions are met. The amount measured at initial recognition is subtracted by repayment of principal and an addition/subtraction is made for accumulated amortization, which is calculated by using the effective interest method on the differences between initial amount and maturity amount. And finally, this amount is subtracted by the loss allowance for related financial assets.

・The financial assets are held within a business model with the objective of collecting contractual cash flows, and
・The contractual terms of the financial assets provide cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

<u>Debt financial assets measured at fair value through other comprehensive income</u>

Financial assets are classified as debt financial assets measured at fair value though other comprehensive income if both of the following conditions are met:

・The financial assets are held within a business model with the objective of both collecting contractual cash flows, and selling financial assets, and
・The contractual terms of the financial assets provide cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

<u>Equity financial assets measured at fair value through other comprehensive income</u>

With regard to equity financial assets, the Company has made an election to recognize changes in fair value in other comprehensive income.

The accumulated amounts of net changes in the fair value of the equity financial assets are transferred to retained earnings, not to profit or loss, when the equity financial assets are derecognized or the decline in the fair value compared to the acquisition cost is significant.

Dividends on equity financial assets measured at fair value through other comprehensive income are recognized in profit or loss as finance income.

(Derecognition)

The financial assets are derecognized when contractual rights to cash flows from the financial assets expire or when contractual rights to receive the cash flows are transferred and then risks and economic rewards of owning the financial assets are substantially transferred.

(Impairment of financial assets measured at amortized cost)

The Company evaluates and recognizes a loss allowance for financial assets measured at amortized cost as of the end of each reporting period. A loss allowance is recognized for the 12-month expected credit losses if the credit risks on financial assets have not significantly increased. A loss allowance is recognized for the lifetime expected credit losses if the credit risks have significantly increased since the initial recognition. In regards to trade receivables, contract assets, and lease receivables, lifetime expected credit losses are recognized. The amount of expected credit losses or reversal is recognized in profit or loss and included in selling, general, and administrative expenses.

(2) Financial liabilities (excluding derivatives)

(Initial recognition)

The Company recognizes bonds on the date of issuance and borrowings, trade payables, and other financial liabilities at the transaction date, on which the Company becomes a party to the agreement at fair value less direct transaction costs.

(Classification and subsequent measurement)

Financial liabilities are classified as financial liabilities measured at amortized cost. After initial recognition, they are subsequently measured at amortized cost using the effective interest method. Amortization using the effective interest method and gains or losses arising in the case of derecognition are recognized in profit or loss.

(Derecognition)

Financial liabilities are derecognized when contractual obligations expire due to the reasons such as, satisfaction of the obligation.

(3) Derivatives and hedge accounting

In order to hedge foreign currency exchange rate risks and interest rate risks, the Company uses derivative financial instruments, such as foreign exchange forward contracts and interest rate swap contracts. Because these derivatives do not meet the requirements for hedge accounting, hedge accounting is not adopted for these derivatives. The Company initially recognizes these derivatives at fair value at the date the contracts are entered into and subsequently remeasures these derivatives at fair value. Changes in fair value of derivative financial instruments are reported in profit or loss.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, demand deposits withdrawable at any time, and short-term investments with a maturity of three months or less from acquisition date that are readily convertible to cash and are subject to insignificant risk of changes in value.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost includes purchase costs, processing costs and all expenses required to bring the inventories to the present location and condition, and is principally determined by the moving-average method. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to sell.

Property, Plant, and Equipment

Property, plant, and equipment are measured based on the cost model and are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the costs directly attributable to the acquisition of assets, costs of dismantling, removing, and restoration of assets, and borrowing costs that meet certain criteria for capitalization.

Depreciation expenses of property, plant, and equipment except land and construction in progress are principally computed by using the straight-line method based on the estimated useful lives of the assets. The estimated useful lives range from ten to 50 years for buildings and from two to 14 years for machinery and equipment. Estimated useful lives and the depreciation method are reviewed at least at the fiscal year end. Any change in the useful life and depreciation method is accounted for prospectively as a change in estimates.

Intangible Assets

Intangible assets are measured using the cost model and are stated at cost less accumulated amortization and accumulated impairment losses. Intangible assets with indefinite useful lives are stated at cost less accumulated impairment losses.

Expenditures in development activities are recognized as intangible assets only if they meet all of the following requirements:

(a) Technical feasibility of completing the intangible asset so that it will be available for use or sale,
(b) Intention to complete the intangible asset and use or sell it,
(c) Ability to use or sell the intangible asset,

(d) How the intangible asset will generate probable future economic benefits,
(e) Availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset, and
(f) Ability to measure reliably the expenditures attributable to the intangible asset during its development.

Expenditures in development activities which do not meet the above conditions are expensed as incurred.

Amortization expenses of intangible assets with definite useful lives are computed using the straight-line method based on the estimated useful lives of the assets. The estimated useful lives are mainly for five years for software for internal use and for five years for capitalized development costs. Estimated useful lives and the amortization method are reviewed at least at the fiscal year end. Any change in the useful life and amortization method is accounted for prospectively as a change in estimates.

Leases

Leases are classified as finance leases whenever substantially all the risks and rewards incidental to ownership are transferred to lessee. All other leases are classified as operating leases.

(As lessee)

In finance lease transactions, leased assets and lease obligations are sated in the condensed consolidated statement of financial position and initially recognized at the lower of the fair value of the leased property or the present value of the minimum lease payments, each determined at the inception of the lease. After the initial recognition, depreciation expenses of leased assets are computed by using the straight-line method based on the lower of the estimated useful lives of the assets or the lease term. Lease payments are apportioned between the finance cost and the reduction of the lease obligations and the finance cost is recognized as an expense in the condensed consolidated statement of profit or loss over the lease term so as to achieve a constant rate of interest on the remaining balance of the obligations.

Lease payments under an operating lease are recognized as an expense in profit or loss on a straight-line basis over the lease term.

(As lessor)

Lease receivables arising from finance lease transactions are recognized at net uncollected amounts of the investments in the relevant lease transactions. Lease income from finance leases is recognized in profit or loss over the lease term so as to achieve a constant rate of interest on the remaining balance of net uncollected amounts of the investments in the relevant lease transactions.

Impairment of Non-financial Assets

The carrying amount of non-financial assets other than inventories and deferred tax assets are assessed to determine whether or not there is any indication of impairment at the end of each reporting period. If such an indication exists, recoverable amount of the asset or the cash-generating unit is estimated.

Impairment tests of goodwill, intangible assets with indefinite useful lives, and intangible assets which are not yet ready for use are conducted annually or whenever events occur or circumstances change, which indicates the possibility of impairment.

The recoverable amount of an individual asset or cash-generating units is the higher of fair value less costs to sell and value in use. Value in use is calculated by discounting the future cash flows expected to be derived from an individual asset or a cash-generating unit to the present value, using pre-tax discount rates that reflect the time value of money and risks specific to an individual asset or a cash-generating unit.

A cash-generating unit is determined as the smallest identifiable group of assets that generate cash inflows which are largely independent of cash inflows from other assets or a group of assets. When it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is estimated.

Because corporate assets do not generate separate cash inflows, if there are any indications of impairment, impairment tests are conducted based on the recoverable amount of the cash-generating unit to which the corporate assets belong.

If the recoverable amount of the asset or cash-generating unit is less than the carrying amount, the carrying amount is reduced to the recoverable amount, and the difference is recognized as an impairment loss in profit or loss. An impairment loss for a cash-generating unit is allocated to the assets on the basis of the relative carrying amount of each asset in the unit.

Individual assets other than goodwill or cash-generating units for which impairment losses were recognized in past years are assessed to determine whether or not there is any indication of reversal of the impairment loss at the end of each reporting period. If such an indication exists, recoverable amount of the asset or the cash-generating unit is estimated, and if the recoverable amount exceeds the carrying amount, impairment loss is reversed. The amount of reversal is recognized in profit or loss up to the carrying amount, net of amortization or depreciation, that would have been determined if no impairment loss had been recognized in past years.

Provisions

Provisions are recognized when the Company has present legal or constructive obligations as a result of past events, it is probable that outflows of resources embodying economic benefits will be required to settle the obligations, and reliable estimates can be made of the amount of obligations.

Provisions are measured based on the best estimate of expenditure required to settle the present obligation at the end of the reporting period. When the effect of the time value of money is material, a provision is measured at the present value of the expenditures required to settle the obligation.

Post-employment Benefit

The Company has defined benefit pension plans and defined contribution pension plans as benefit pension plan for employees.

(Defined benefit pension plans)

The Parent Company and most subsidiaries mainly in Japan have defined benefit pension plans and/or severance indemnity plans. The net defined benefit liability or asset is measured as the difference between the present value of the defined benefit obligation and the fair value of plan assets.

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.

Defined benefit obligation is determined using the projected unit credit method, and its present value is calculated by discounting future estimated benefits. The discount rate is determined based on market yields on high-quality corporate bonds as of the end of the fiscal year, reflecting the estimated timing and amount of benefit payment.

Prior service cost due to amendments of the benefit plans is recognized in profit or loss when such amendments occur.

Remeasurement of the net defined liability or asset is recognized in other comprehensive income when such remeasurement is made and transferred immediately to retained earnings.

(Defined contribution pension plans)

The Parent Company and certain subsidiaries have defined contribution plans. Contributions to defined contribution plans for the period when employees render the related services are recognized as employee benefits expenses in profit or loss

Revenue Recognition

(1) Revenue from the contracts with customers

The Company recognizes revenue, excluding interests recognized in accordance with IFRS 9 and revenue recognized in accordance with IAS 17 “Leases“ (hereinafter, “IAS 17”), from the contracts with customers based on the following five steps:

Step1: Identify the contracts with customers
Step2: Identify the performance obligations in the contract
Step3: Determine the transaction price
Step4: Allocate the transaction price to the performance obligations in the contract

Step5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Company engages in various fields of business and industry by providing products and services as described in Note 1. REPORTING ENTITY.

The Company determined that control over the products is transferred to the customers and the Company satisfies a performance obligation when the products are delivered to customers, considering indicators of the transfer of control such as the situations of the transfer of significant risks and rewards of physical possession and ownership of products. Therefore, revenue from the sales of the products is recognized at that timing.

The Company combines construction contracts with customers. The Company considers, under the contracts, that its performance does not create an asset with an alternative use to the Company; the Company has an enforceable right to payment for performance completed to date; and transfers the control over the assets to customers over a certain period. Therefore, revenue is recognized based on its progress towards complete satisfaction of a performance obligation which is measured at the fiscal year end over the construction period. Since the Company considers that it is possible to develop reasonably dependable estimates of the total contract cost and it is reasonably dependable to estimate the extent of progress towards completion of these contracts, the Company uses the input methods, which are based on the costs incurred relative to the total expected costs by individual contracts, as the method to measure the extent of progress towards completion.

Revenue is measured at the consideration promised in contracts with customers, less discounts, rebates depending on sales volume and other items. Estimates of variable consideration including discounts, rebates and other payments use the most likely outcome method based on historical experience and other factors, and revenue is recognized only to the extent that it is highly probable that significant reversal will not occur. As a practical expedient described in IFRS 15 “Revenue from Contracts with Customers”, the Company does not adjust the promised amount of consideration for the effects of a significant financing component if the Company expects, at contract inception, that the period between when the Company transfers promised goods or service to customers and when the customers pay for the goods or service will be one year or less.

The transaction price is allocated to each of the performance obligations on a relative observable and stand-alone selling price basis when two or more performance obligations are identified in the contract.

(2) Revenue from retail finance and finance leases

The Company provides retail finance and finance leases to customers who purchase the Company’s farm equipment and construction machinery products from dealers. The above revenue is included in revenue on the condensed consolidated statement of profit or loss.

With regard to revenue from retail finance, interest income is recognized using the effective interest method over the contractual period according to IFRS 9. Revenue from finance leases are recognized using the method described in “Leases” in this section.

Income Taxes

Income taxes, which comprise current taxes and deferred taxes, are recognized in profit or loss, except to the extent that they relate to business combinations or items recognized in other comprehensive income or directly in equity.

Current taxes are measured at the expected amount of income taxes payable to or recoverable from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxes are recognized based on temporary differences between the carrying amount of assets or liabilities in the condensed consolidated statement of financial position and the tax bases of the assets or liabilities and carryforwards of unused tax losses and tax credits.

Deferred tax assets are recognized only to the extent that it is probable that taxable profit will be available against the deductible temporary differences, unused tax losses, and unused tax credits. Deferred tax liabilities are recognized basically for all taxable temporary differences.

However, deferred tax liabilities for taxable temporary differences related to investments in subsidiaries and affiliates, and interest in joint ventures are not recognized if the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future. Deferred tax assets for deductible temporary differences related to investments in subsidiaries and affiliates, and interest in joint ventures are recognized to the extent that it is probable that taxable profit will be available against which the temporary differences can be utilized and they will reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the assets are realized or the liabilities are settled, based on the tax rates and tax laws enacted or substantively enacted at the end of the reporting period.

The Company reviews the carrying amount of deferred tax assets at the end of the reporting period, and does not recognize the deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax assets to be utilized.

Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets against current liabilities, and when the same taxation authority levies income taxes on the same taxable entity.

Income tax expenses in the condensed financial statements are calculated using the estimated annual effective tax rate.

Earnings per Share

Earnings per share attributable to owners of the parent–basic are calculated by profit attributable to owners of the parent by the weighted-average number of issued common shares during the period. Earnings per share attributable to owners of the parent–diluted are calculated with all adjustments from the effects of all dilutive potential common shares.

Changes in Accounting Policies

The Company adopts IFRS 9 beginning from the current fiscal year beginning on January 1, 2018. In accordance with exemptions from the retrospective application of IFRS 7 and IFRS 9 under IFRS 1, the Company applied U.S. GAAP, the previous accounting standards for the comparative information.

Accounting policies applied for the comparative information and those applied for the current period are described in “Financial Instruments”. The impact arising from the adoption of this standard is as follows:

(1) Classification and measurement of financial instruments

Under U.S. GAAP, the Company classified marketable equity securities as available-for-sale securities and measured them at fair value. Other non-marketable equity securities are stated at cost and reviewed periodically for impairment.

Whereas under IFRS, the Company classifies all its equity instruments as financial assets measured at fair value through other comprehensive income and measured at fair value.

As of January 1, 2018, the application of this standard increased other financial assets, deferred tax liabilities, other components of equity, and non-controlling interests by ¥4,706 million, ¥1,434 million, ¥3,262 million, and ¥6 million, respectively, and decreased deferred tax assets by ¥4 million.

(2) Impairment of financial assets

Under U.S. GAAP, the Company provided an allowance for doubtful accounts and credit losses based on the collection status of receivables, historical credit loss experience, economic trends, the customer’s ability to repay, and collateral values.

Whereas under IFRS, the Company evaluates and recognizes a loss allowance of expected credit losses for financial assets measured at amortized cost at the end of each reporting period. A loss allowance is measured by discounting the probability-weighted amount by the effective interest rate, which is based on the reasonable and supportable information available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

As of January 1, 2018, the application of this standard increased finance receivables, retained earnings, and non-controlling interests by ¥2,979 million, ¥1,377 million, and ¥1,008 million, respectively, and decreased deferred tax assets by ¥594 million.

Effects on profit for the period, earnings per share attributable to owners of the parent-basic, and earnings per share attributable to owners of the parent-diluted for the three months ended March 31, 2018 are not material.

4. SEGMENT INFORMATION

The Company engages in various fields of business and industries by providing products and services which 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-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). The Other segment offers a variety of services.

The segments represent the components of the Company for which separate financial information is available and that 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:

(¥ in millions)

For the three months ended March 31:	Farm & Industrial Machinery	Water & Environment	Other	Adjustments	Consolidated
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 income	¥ 46,958	¥ 8,782	¥ 724	¥ (12,572)	¥ 43,892
2017:					
Revenue:					
External customers	¥ 319,485	¥ 77,621	¥ 7,752	¥ —	¥ 404,858
Intersegment	130	393	6,399	(6,922)	—
Total	319,615	78,014	14,151	(6,922)	404,858
Operating income	¥ 37,858	¥ 10,896	¥ 811	¥ (9,311)	¥ 40,254

(Notes)

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

The following table presents the Company's other financial assets:

In accordance with exemptions from the retrospective application of IFRS 9 under IFRS 1, the Company applied U.S. GAAP for the comparative information.

(¥ in millions)

	March 31, 2018	
Financial assets measured at amortized cost		
Long-term trade accounts receivable	¥	39,766
Time deposits		18,859
Restricted cash*		12,199
Others		21,092
Financial assets measured at fair value through other comprehensive income		
Debt financial assets		5,253
Equity financial assets		136,499
Financial assets measured at fair value through profit or loss		
Derivatives		1,852
Total	¥	235,520
Current assets		55,953
Non-current assets		179,567

(¥ in millions)

	December 31, 2017		January 1, 2017 (Transition date)	
Long-term trade accounts receivable	¥	40,423	¥	39,852
Time deposits		12,728		26,707
Restricted cash*		12,221		10,007
Securities		153,401		140,667
Derivatives		1,544		7,009
Others		19,936		24,322
Total	¥	240,253	¥	248,564
Current assets		51,515		63,710
Non-current assets		188,738		184,854

(Note)

Deposits pledged as collateral which are restricted for withdrawal and advance received for public works which is restricted for its usage.

6. OTHER LIABILITIES

The following table presents the Company's other liabilities:

(¥ in millions)

	March 31, 2018		December 31, 2017		January 1, 2017 (Transition date)	
Employment benefit liabilities	¥	48,446	¥	42,076	¥	37,518
Accrued expenses		34,100		31,460		29,969
Refund liabilities		40,277		43,739		41,832
Contract liabilities		12,948		11,593		9,295
Others		48,325		51,972		44,818
Total	¥	184,096	¥	180,840	¥	163,432
Current liabilities		173,887		169,849		157,872
Non-current liabilities		10,209		10,991		5,560

7. REVENUE

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

(¥ in millions)

For the 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
Environment-related products	22,107	123	209	1,870	188	24,497
Social infrastructure-related products	6,656	1,899	403	1,275	1,225	11,458
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

(¥ in millions)

For the three months ended March 31, 2017	Japan	North America	Europe	Asia outside Japan	Other area	Total
Farm equipment and engines	¥ 60,632	¥ 73,527	¥ 41,014	¥ 65,956	¥ 9,393	¥ 250,522
Construction machinery	7,386	21,371	18,375	4,950	3,128	55,210
Farm & Industrial Machinery	68,018	94,898	59,389	70,906	12,521	305,732
Pipe-related products	39,569	300	1	1,426	194	41,490
Environment-related products	23,363	580	249	1,167	193	25,552
Social infrastructure-related products	5,357	1,885	289	1,950	1,098	10,579
Water & Environment	68,289	2,765	539	4,543	1,485	77,621
Other	7,674	2	2	11	1	7,690
Revenue recognized from:						
Contracts with customers	143,981	97,665	59,930	75,460	14,007	391,043
Other sources of revenue	750	8,526	—	4,150	389	13,815
Total	¥ 144,731	¥ 106,191	¥ 59,930	¥ 79,610	¥ 14,396	¥ 404,858

Revenue recognized from other sources of revenue includes revenue from retail finance under IFRS 9 and revenue from lease arrangement under IAS 17. The amounts of the above revenue are ¥11,431 million and ¥10,497 million for the three months ended March 31, 2018 and 2017, respectively.

8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

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

(¥ in millions, except for number of common shares)

For the three months ended March 31:	2018	2017
Profit attributable to owners of the parent	¥ 29,869	¥ 29,416
Weighted-average number of common shares (thousands of shares)	1,233,659	1,239,780

There were no potentially dilutive shares outstanding for the three months ended March 31, 2018 and 2017.

9. DIVIDENDS

Dividends paid are as follows.

(Three months ended March 31, 2018)

Resolution	Class of shares	Dividends (¥ in millions)	Dividends per share	Record date	Effective date
The Board of Directors on February 14, 2018	Common shares	¥ 20,978	¥ 17.00	December 31, 2017	March 26, 2018

(Three months ended March 31, 2017)

Resolution	Class of shares	Dividends (¥ in millions)	Dividends per share	Record date	Effective date
The Board of Directors on February 14, 2017	Common shares	¥ 19,857	¥ 16.00	December 31, 2016	March 27, 2017

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value are categorized into 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: inputs that are measured using the entity’s own assumptions; inputs that are reasonably available; or inputs that many market participants use with reasonable confidence.

Financial instruments measured at fair value

The following table presents fair values of the Company’s financial instruments measured at fair value.

In accordance with exemptions from the retrospective application of IFRS 9 under IFRS 1, the Company applied U.S. GAAP for the comparative information.

(¥ in millions)

	Level 1	Level 2	Level 3	Total
At March 31, 2018:				
Financial assets:				
Financial assets measured at fair value through profit or loss				
Derivatives				
Foreign exchange contracts	¥ —	¥ 1,202	¥ —	¥ 1,202
Cross-currency swap contracts	—	9	—	9
Interest rate swap contracts	—	271	—	271
Cross-currency interest rate swap contracts	—	370	—	370
Financial assets measured at fair value through other comprehensive income				
Debt financial assets	5,253	—	—	5,253
Equity financial assets	128,827	—	7,672	136,499
Total	¥ 134,080	¥ 1,852	¥ 7,672	¥ 143,604
Financial liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivatives				
Foreign exchange contracts	¥ —	¥ 55	¥ —	¥ 55
Interest rate swap contracts	—	445	—	445
Cross-currency interest rate swap contracts	—	4,788	—	4,788
Total	¥ —	¥ 5,288	¥ —	¥ 5,288
At December 31, 2017:				
Financial assets:				
Available-for-sale securities				
Equity securities of financial institutions	¥ 46,328	¥ —	¥ —	¥ 46,328
Other equity securities	95,937	—	—	95,937
Debt securities	7,718	—	—	7,718
Derivatives				
Foreign exchange contracts	—	149	—	149
Interest rate swap contracts	—	135	—	135
Cross-currency interest rate swap contracts	—	1,260	—	1,260
Total	¥ 149,983	¥ 1,544	¥ —	¥ 151,527
Financial liabilities:				
Derivatives				
Foreign exchange contracts	¥ —	¥ 575	¥ —	¥ 575
Interest rate swap contracts	—	419	—	419
Cross-currency interest rate swap contracts	—	2,663	—	2,663
Total	¥ —	¥ 3,657	¥ —	¥ 3,657
At January 1, 2017 (Transition date):				
Financial assets:				
Available-for-sale securities				
Equity securities of financial institutions	¥ 48,435	¥ —	¥ —	¥ 48,435
Other equity securities	88,582	—	—	88,582
Derivatives				
Foreign exchange contracts	—	45	—	45
Cross-currency interest rate swap contracts	—	6,964	—	6,964
Total	¥ 137,017	¥ 7,009	¥ —	¥ 144,026
Financial liabilities:				
Derivatives				
Foreign exchange contracts	¥ —	¥ 5,136	¥ —	¥ 5,136
Interest rate swap contracts	—	9	—	9
Cross-currency interest rate swap contracts	—	34	—	34
Total	¥ —	¥ 5,179	¥ —	¥ 5,179

Debt financial assets and equity financial assets categorized into Level 1 are valued using a quoted price for identical instruments in active markets.

Because derivatives are valued using observable market inputs from major international financial institutions, they are categorized into Level 2.

Equity financial assets categorized into Level 3 are unlisted securities and the fair values of those securities are determined based on an approach using observable inputs such as comparable companies' share prices and unobservable inputs. In regards to equity financial assets categorized into Level 3, significant changes in fair value occurring when unobservable inputs are changed to reasonably possible alternative assumptions are not expected.

Transfers between levels are recognized at the end of the reporting period when the financial instruments are transferred. There were no financial instruments of which a significant transfer was made between levels for the three months ended March 31, 2018.

A reconciliation of financial instruments categorized at Level 3 for the three months ended March 31, 2018 is as follows:

(¥ in millions)

Balance at beginning of period	¥	8,123
Gains or losses		(222)
Purchases		1
Sales		(230)
Balance at end of period	¥	7,672

(Note)
Gains or losses are those related to unlisted securities held as of March 31, 2018 and included in net changes in financial assets measured at fair value through other comprehensive income in 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.

(¥ in millions)

	March 31, 2018		**December 31, 2017**		**January 1, 2017 (Transition date)**	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Finance receivables:						
Retail finance receivables	¥ 590,180	¥ 568,907	¥ 628,115	¥ 613,327	¥ 559,066	¥ 550,357
Lease receivables	178,301	204,329	182,048	212,275	163,303	191,393
Long-term trade accounts receivable	68,166	73,143	69,127	74,336	69,174	74,366
Bonds and borrowings	798,606	787,877	834,101	822,241	815,359	806,336

The fair value is stated at the present value of future cash flows as obtained by discounting the amount at the current market rate. Long-term trade accounts receivable in the table includes the current portion, which are included in trade receivables on the condensed consolidated statement of financial position.

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

11. CONTINGENT LIABILITIES

Legal Proceedings

Since May 2007, the Company has been subject to 30 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 30 lawsuits aggregate ¥27,136 million, which relate to 723 construction workers who suffered from asbestos-related diseases.

23 among 30 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. Among the seven, two appellate courts ruled in favor of the Company, but the plaintiff again appealed the Supreme Court ruling immediately after the judgement. The above cases will continue until an ultimate outcome is reached. Since 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 estimating the above assumptions. 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 30 lawsuits.

Matters Related to the Health Hazards of Asbestos

The Company's plant in Amagasaki, Hyogo Prefecture, Japan, had 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 of the 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 reasonably 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 ¥174 million, ¥72 million, and ¥177 million at March 31, 2018, December 31, 2017, and January 1, 2017, respectively.

The asbestos related expenses recognized for the three months ended March 31, 2018 and 2017 were ¥262 million and ¥318 million, respectively.

12. SUBSEQUENT EVENTS

On April 26, 2018, 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 7 million shares and at a total price up to ¥10,000 million of the Parent Company's outstanding common shares on and after April 27, 2018 through December 19, 2018.

13. DISCLOSURE OF TRANSITION TO IFRS

The condensed consolidated financial statements are prepared in accordance with IFRS for the first time for the three months ended March 31, 2018. The latest consolidated financial statements in accordance with U.S. GAAP were prepared for the year ended December 31, 2017 and the transition date is January 1, 2017.

IFRS 1 Exemptions

IFRS 1 requires an entity which adopts IFRS for the first time (hereinafter, the "first-time adopter") to apply IFRS retrospectively to prior periods. However, IFRS 1 provides 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:

(1) Business combinations

IFRS 1 permits a first-time adopter not to apply IFRS 3 "Business Combinations" (hereinafter "IFRS 3") retrospectively to business combinations that occurred prior to the 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.

(2) Exchange differences on translating foreign operations

IFRS 1 permits a first-time adopter 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 all the cumulative amount of the exchange differences on translating foreign operations to be zero at the transition date.

(3) Exemptions from retrospective application of IFRS 9

IFRS 1 permits a first-time adopter which adopts IFRS from the year beginning before January 1, 2019 and chooses to apply IFRS 9, that 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.

Reconciliations from U.S. GAAP to IFRS

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

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

(In millions of yen)

Presentation under U.S.GAAP	U.S.GAAP	Reclassification	Recognition and measurement	IFRS	Note	Presentation under IFRS
ASSETS						ASSETS
Current assets:						Current assets:
Cash and cash equivalents	169,416			169,416		Cash and cash equivalents
Notes and accounts receivable:						
Trade notes	75,798					
Trade accounts	559,488					
Less: Allowance for doubtful notes and accounts receivable	(2,472)					
Net notes and accounts receivable	632,814	(9,404)		623,410		Trade receivables
Short-term finance receivables-net	244,184	(13,259)		230,925	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:						Non-current assets:
Investments in and loans receivable from affiliated companies	28,517	(12)		28,505		Investments accounted for using the equity method
Other investments	140,667	(140,667)				
Long-term finance receivables—net	508,289	(16,845)		491,444	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 non-current assets
Less: Allowance for doubtful non-current receivables	(763)	763				
Total other assets	115,804					
				1,123,982		Total non-current assets
Total assets	2,670,582	(43,132)	6,330	2,633,780		Total assets

(In millions of yen)

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

(2) Reconciliation of equity as of March 31, 2017

(In millions of yen)

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

(In millions of yen)

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

(3) Reconciliation of equity as of December 31, 2017

(In millions of yen)

Presentation under U.S.GAAP	U.S.GAAP	Reclassification	Recognition and measurement	IFRS	Note	Presentation under IFRS
ASSETS						ASSETS
Current assets:						Current assets:
Cash and cash equivalents	230,720			230,720		Cash and cash equivalents
Notes and accounts receivable:						
Trade notes	77,618					
Trade accounts	573,337					
Less: Allowance for doubtful notes and accounts receivable	(2,792)					
Net notes and accounts receivable	648,163	(9,080)		639,083		Trade receivables
Short-term finance receivables-net	264,748	(14,064)		250,684	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:						Non-current assets:
Investments in and loans receivable from affiliated companies	29,362	(30)	1	29,333		Investments accounted for using the equity method
Other investments	145,683	(145,683)				
Long-term finance receivables—net	578,185	(18,706)		559,479	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 non-current assets
Less: Allowance for doubtful non-current receivables	(897)	897				
Total other assets	150,939					
				1,223,938		Total non-current assets
Total assets	2,853,930	(27,213)	5,647	2,832,364		Total assets

(In millions of yen)

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

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

(In millions of yen)

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

(In millions of yen)

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

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

(In millions of yen)

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

(In millions of yen)

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

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 operation 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 condensed consolidated statements 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 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 liabilities under U.S. GAAP, are all included 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 which required deferred tax assets and liabilities to be classified as non-current on January 1, 2017. However, the financial statements as of the transition date were prepared under U.S. GAAP without the adoption of this standard. For this reason, on the transition date, deferred tax assets and liabilities were presented separately in current and non-current 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 non-current. There was no difference between U.S.GAAP and IFRS in terms of "Reclassification" on the financial statements as of March 31, and December 31, 2017, respectively.

B. Capitalization of development expenses

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

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

C. Impairment of goodwill

When evaluating whether goodwill is impaired under U.S. GAAP, the fair value of the reporting unit including goodwill is compared with its carrying amount. When the fair value of the reporting unit is lower than its carrying amount, the fair value of goodwill is calculated, and if the fair value of goodwill is lower than its carrying amount of goodwill, the difference is recognized as impairment loss of goodwill.

Whereas under IFRS, when the carrying amount of the cash-generating unit including goodwill exceeds its recoverable amount, the excess amount is recognized as impairment loss. For impairment loss arising in the cash-generating unit including goodwill, the Company first impairs goodwill, and when there is any remaining amount, recognizes impairment loss for other assets in the cash-generating unit.

On the transition date, the Company conducted impairment tests on each cash-generating unit. Impairment loss 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 of 7.5%.

D. Post-employment benefit

Under U.S. GAAP, post-employment benefit related to defined benefit pension plans, service cost, interest cost, and expected return on plan assets are recognized in profit or loss. The portion of actuarial gains and losses arising from the defined benefit pension plans and past service cost incurred that was not recognized as a component of retirement benefit expenses for the period is recognized at the amount net of tax in accumulated other comprehensive income. 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, post-employment benefit related to defined benefit pension plans, current service cost and past service cost are recognized in profit or loss, and the amount calculated by multiplying net defined benefit liability (asset) by the discount rate is recognized as interest expense (income) in profit or loss. 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 on the transition date, other components of equity increased by ¥744 million and other non-current assets decreased by ¥739 million at March 31, 2017, other components of equity and other non-current assets decreased by ¥2,331 million and ¥6,611 million, respectively, and retirement benefit liabilities increased by ¥139 million at December 31, 2017. Cost of sales increased by ¥274 million and ¥1,727 million and selling, general, and administrative expenses increased by ¥168 million and ¥660 million for the three months ended March 31, 2017 and for the year ended December 31, 2017, respectively.

Remeasurements of the net defined liability (asset) are recognized at the amount net of 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, ¥25,006 million and ¥22,469 million on the transition date, at March 31 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, ¥26,009 million, and ¥25,646 million on the transition date, at March 31 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 revenues 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, decreased by ¥747 million, and increased by ¥6,366 million on the transition date, at March 31, and December 31, 2017, respectively. Revenue increased by ¥7,104 million and decreased by ¥77 million for the three months ended March 31, 2017 and the year ended December 31, 2017, respectively.

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

Whereas under IFRS, as stated in Note.3 SIGNIFICANT ACCOUNTING POLICIES, Revenue Recognition, 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, ¥511 million, and ¥5,160 million and inventories decreased by ¥3,582 million, ¥372 million, and ¥3,791 million on the transition date, at March 31, and December 31, 2017, respectively. Revenue decreased by ¥5,069 million and ¥420 million and cost of sales decreased by ¥3,210 million and increased by ¥209 million for the three months ended March 31, 2017 and the year ended December 31, 2017, respectively.

G. Income taxes

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 components of equity increased by ¥20,912 million, ¥20,913 million, and ¥20,912 on the transition date, at March 31, and December 31, 2017.

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, increased by ¥87 million, and decreased by ¥1,908 million on the transition date, at March 31, and December 31, 2017, respectively. Income tax expenses decreased by ¥405 million and increased by ¥1,590 million for the three months ended March 31, 2017 and the year ended December 31, 2017, respectively.

H. Retained earnings

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

(¥ in millions)

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

Notes to Reconciliation of Consolidated Statement of Cash Flows

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

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.

14. APPROVAL OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved on May 15, 2018 by Masatoshi Kimata, President and Representative Director of the Parent Company, and Shigeru Kimura, Director and Senior Managing Executive Officer, General Manager of Planning & Control Headquarters of the Parent Company.

2. Other

On February 14, 2018, the Board of Directors of the Parent Company resolved to pay dividends as follows:

1) Shareholders to Be Paid Dividends
Shareholders of record on December 31, 2017

2) Amount of Dividends
¥17.00 per common share, a total of ¥20,978 million

3) Effective Date of Claim of Payment and Start Date of Payment
March 26, 2018

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 15, 2018
[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]	Shigeru Kimura, 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 Shigeru Kimura, 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 129th fiscal year (from January 1, 2018 to March 31, 2018) were adequate under the Financial Instruments and Exchange Act of Japan.

2. Special Notes

Not applicable