

# Financial Results for the three months ended March 31, 2018



May 10, 2018

Kubota Corporation has adopted International Financial Reporting Standards (hereinafter “IFRS”) instead of accounting principles generally accepted in the United States of America (hereinafter “U.S. GAAP”) from the 1<sup>st</sup> quarter of the fiscal year ending December 31, 2018. In addition, financial figures for the three months ended March 31, 2017 and the year ended December 31, 2017, which were prepared in accordance with U.S. GAAP in the reporting of those previous periods, are also reclassified in accordance with IFRS and used in the comparative analysis.

# Financial Summary

(Billion yen)	Three months ended Mar. 31, 2018	Three months ended Mar. 31, 2017	Changes	
			Amount	%
<b>Revenue</b>	428.6	404.9	+23.8	+5.9
Domestic	149.3	144.7	+4.6	+3.2
Overseas	279.3	260.1	+19.2	+7.4
<b>Operating profit</b>	10.2% 43.9	9.9% 40.3	+3.6	+9.0
<b>Profit before income taxes*</b>	10.5% 45.0	10.8% 43.9	+1.2	+2.6
<b>Profit attributable to owners of the parent</b>	7.0% 29.9	7.3% 29.4	+0.5	+1.5

(Billion yen)	As of Mar. 31, 2018	As of Dec. 31, 2017	Changes	
			Amount	%
<b>Total assets</b>	2,748.2	2,832.4	-84.2	-3.0
<b>Equity attributable to owners of the parent</b>	1,258.1	1,291.1	-33.0	-2.6

\* Gain (loss) on sales of securities-net is no longer recorded in the consolidated statement of profit or loss from the fiscal year ending Dec. 31, 2018 due to the adoption of IFRS9. For your information, the financial results for the three months ended Mar. 31, 2017 included gain on sales of securities-net of 2.6 billion yen.

( For reference: Changes excluding the effects of fluctuation in exchange [+2.0 billion yen]  
>Overseas revenue in Machinery increased by 6%. Total overseas revenue increased by 7%. )

## Revenue by Reportable Segment (Year-on-Year)

For Earth, For Life  
Kubota

### Machinery: +20.0 billion yen (Domestic: +3.4, Overseas: +16.6)

#### Japan

Sales of farm equipment, such as tractors, combine harvesters, and rice transplanters, grew mainly due to an increase in market shares. Sales of const. machinery increased due to high demand for construction and adverse reaction from concentrated demand for large sized equipment resulting from emission regulations in the previous period. Sales of engines increased significantly due to high demand for const. and industrial machinery.

#### North America

Sales of compact tractors increased due to favorable economic conditions, while high demand seasons during the spring was delayed resulting from low temperature. Sales of mid-scale tractors increased due to an increase in market shares. Sales of const. machinery and engines were strong as well due to solid demand for construction.

#### Europe

Sales of compact tractors decreased because high demand seasons during the spring was delayed resulting from low temperature. Sales of mid-scale tractors increased mainly due to a positive effect from new models introduced in the prior year. Sales of const. machinery increased due to high demand for construction and solid housing market. Demand for engines for const. and industrial machinery continued to be solid.

#### Asia

In Thailand, sales of tractors increased in response to recoveries in prices of rice and cassava. In China, sales of farm equipment were slow because lots of customers waited for an announcement of the government subsidy budget for purchasers of farm equipment. Sales of const. machinery in China continued to expand due to high demand for infrastructure construction and shortage of labors.

### Water: +3.7 billion yen (Domestic: +1.1, Overseas: +2.5)

# Operating Profit

For Earth, For Life  


(Billion yen)	Three months ended Mar. 31, 2018		Three months ended Mar. 31, 2017		Changes	
	Amount	%	Amount	%	Amount	%
Operating profit	43.9	10.2	40.3	9.9	+3.6	+9.0

## Factors affecting operating profit (YoY change +3.6 billion yen)

<b>1. Fluctuation in exchange rates</b>	US\$ (114→108) Euro (121→133) Other currencies	+1.5 billion yen +2.5 billion yen +1.0 billion yen	} <b>+5.0 billion yen</b>
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<b>2. Foreign exchange gain/loss</b>			<b>-3.2 billion yen</b>
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<b>3. Change in sales incentive ratio</b>			<b>-1.2 billion yen</b>
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<b>4. Personnel expenses</b>	Cost of goods sold SG&A expenses	-0.7 billion yen -1.5 billion yen	} <b>-2.2 billion yen</b>
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<b>5. Impact of increased sales</b>			<b>+7.0 billion yen</b>
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<b>6. Other</b>			<b>-1.8 billion yen</b>
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# Anticipated Operating Results

For Earth, For Life  


\* The forecast for full year and six months remained unchanged from the previous announcement on Feb. 14, 2018.  
 (There were some minor changes in the operating result for the year ended Dec. 31, 2017 based on IFRS)

(Billion yen)	Year ending Dec. 31, 2018 (Forecast)	Year ended Dec. 31, 2017 (Actual)	Changes		Six months ending June 30, 2018 (Forecast)
			Amount	%	
<b>Revenue</b>	<b>1,820.0</b>	<b>1,751.0</b>	<b>+69.0</b>	<b>+3.9</b>	<b>920.0</b>
Domestic	575.0	563.8	+11.2	+2.0	283.0
Overseas	1,245.0	1,187.2	+57.8	+4.9	637.0
<b>Operating profit</b>	11.7% <b>213.0</b>	11.4% <b>200.0</b>	<b>+13.0</b>	<b>+6.5</b>	11.8% <b>109.0</b>
<b>Profit before income taxes**</b>	12.0% <b>219.0</b>	12.2% <b>214.0</b>	<b>+5.0</b>	<b>+2.3</b>	12.2% <b>112.0</b>
<b>Profit attributable to owners of the parent</b>	8.3% <b>151.0</b>	7.7% <b>134.2</b>	<b>+16.8</b>	<b>+12.6</b>	8.4% <b>77.0</b>

\*\* Gain (loss) on sales of securities-net is no longer recorded in the consolidated statement of profit or loss from the fiscal year ending Dec. 31, 2018 due to the adoption of IFRS9. For your information, the financial results for the year ended Dec. 31, 2017 included gain on sales of securities-net of 8.4 billion yen.

For reference: Changes excluding the effects of fluctuation in exchange [-2.0 billion yen]  
 >Overseas revenue in Machinery are forecast to increase by 5%. Total overseas revenue are forecast to increase by 5%.

# Anticipated Operating Profit

For Earth, For Life  


\* The forecast for full year remained unchanged from the previous announcement on Feb. 14, 2018. (There were some minor changes in the operating result for the year ended Dec. 31, 2017 based on IFRS)

(Billion yen)	Year ending Dec. 31, 2018 (Forecast)		Year ended Dec. 31, 2017 (Actual)		Changes	
	Amount	%	Amount	%	Amount	%
<b>Operating profit</b>	213.0	11.7	200.0	11.4	+13.0	+6.5

## Factors affecting operating profit (YoY change +13.0 billion yen)

<b>1. Fluctuation in exchange rates</b>	US\$ (112→110) Euro (127→130) Other currencies	-1.0 billion yen +6.0 billion yen +2.0 billion yen	<b>+7.0 billion yen</b>
<b>2. Foreign exchange gain/loss</b>			<b>-3.1 billion yen</b>
<b>3. Material</b>	Machinery Water	±0.0 billion yen -4.0 billion yen	<b>-4.0 billion yen</b>
<b>4. Change in sales incentive ratio</b>	U.S. : -3.5 billion yen, China: -2.0 billion yen etc.		<b>-5.5 billion yen</b>
<b>5. Personnel expenses</b>	Cost of goods sold SG&A expenses	±0.0 billion yen -4.0 billion yen	<b>-4.0 billion yen</b>
<b>6. Specific items</b>	Claim payments related to the hurricanes in U.S. (in prior year)		<b>+0.7 billion yen</b>
<b>7. Impact of increased sales</b>			<b>+25.0 billion yen</b>
<b>8. Other</b>			<b>-3.1 billion yen</b>

# Anticipated Operating Profit by Reportable Segment

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\* The forecast for full year remained unchanged from the previous announcement on Feb. 14, 2018. (There were some minor changes in the operating result for the year ended Dec. 31, 2017 based on IFRS)

## ■ Anticipated operating profit excluding specific items

(Billion yen)		Year ending Dec. 31, 2018 (Forecast)			Year ended Dec. 31, 2017 (Actual)			Changes ①-④	Changes (Adjusted) ③-⑥
		Operating profit ①	Specific items ②	Adjusted operating profit ③=①-②	Operating profit ④	Specific items ⑤	Adjusted operating profit ⑥=④-⑤		
Machinery	Revenue	1,497.0		1,497.0	1,436.5		1,436.5	+60.5	+60.5
	Operating profit	220.0	-	220.0	200.7	-0.7	201.4	+19.3	+18.6
	OP margin	14.7%		14.7%	14.0%		14.0%	+0.7P	+0.7P
Water	Revenue	295.0		295.0	285.7		285.7	+9.3	+9.3
	Operating profit	24.0	-	24.0	24.4	-	24.4	-0.4	-0.4
	OP margin	8.1%		8.1%	8.5%		8.5%	-0.4P	-0.4P
Other	Revenue	28.0		28.0	28.9		28.9	-0.9	-0.9
	Operating profit	2.0	-	2.0	3.0	-	3.0	-1.0	-1.0
	OP margin	7.1%		7.1%	10.4%		10.4%	-3.3P	-3.3P
Adjustment	Operating profit	-33.0	-	-33.0	-28.2	-	-28.2	-4.8	-4.8
Total	Revenue	1,820.0		1,820.0	1,751.0		1,751.0	+69.0	+69.0
	Operating profit	213.0	-	213.0	200.0	-0.7	200.7	+13.0	+12.3
	OP margin	11.7%		11.7%	11.4%		11.5%	+0.3P	+0.2P



# Exchange Rate

For Earth, For Life  


		Year ending Dec. 31, 2018		Year ended Dec. 31, 2017
		(Forecast)	(Actual)	(Actual)
¥/US\$	1st Quarter (Jan.-Mar.)	-	108	114
	1st Half (Jan.-Jun.)	110	-	112
	2nd half (Jul.-Dec.)	110	-	112
	Full year average (Jan.-Dec.)	110	-	112
¥/Euro	1st Quarter (Jan.-Mar.)	-	133	121
	1st Half (Jan.-Jun.)	130	-	122
	2nd half (Jul.-Dec.)	130	-	132
	Full year average (Jan.-Dec.)	130	-	127
¥/US\$	1st Quarter End (Mar.)	-	106	112
	2nd Quarter End (Jun.)	110	-	112
	4th Quarter End (Dec.)	110	-	113
¥/Euro	1st Quarter End (Mar.)	-	131	120
	2nd Quarter End (Jun.)	130	-	128
	4th Quarter End (Dec.)	130	-	135

# Accompanying Materials

## The Major Adjustments Resulting from the Adoption of IFRS

### ■ Adjustments in the financial results for the three months ended Mar. 31, 2017

(Billion yen)

Three months ended Mar. 31, 2017					
U.S. GAAP		IFRS		Changes	Main reconciliation items
<b>Revenues</b>	<b>402.8</b>	<b>Revenue</b>	<b>404.9</b>	<b>+2.0</b>	
<b>Domestic</b>	149.8	<b>Domestic</b>	144.7	-5.1	Percentage-of-completion method -5.1
<b>Overseas</b>	253.0	<b>Overseas</b>	260.1	+7.1	Sales incentives +7.1
<b>Operating income</b>	9.8% <b>39.4</b>	<b>Operating profit</b>	9.9% <b>40.3</b>	<b>+0.9</b>	Percentage-of-completion method -1.9, Sales incentives +7.1, Capitalization of development expenses +1.1, Retirement benefit costs -0.4, Levies -2.6, Periodical allocation of sales expenses -0.4, Reclassification of foreign exchange gain (loss) -2.0
<b>Income before income taxes</b>	10.2% <b>40.9</b>	<b>Profit before income taxes</b>	10.8% <b>43.9</b>	<b>+3.0</b>	Same as above excluding reclassification of foreign exchange gain (loss)
<b>Net income attributable to Kubota Corp.</b>	6.8% <b>27.6</b>	<b>Profit attributable to owners of the parent</b>	7.3% <b>29.4</b>	<b>+1.8</b>	Increase in income taxes -1.1

## The Major Adjustments Resulting from the Adoption of IFRS

### ■ Adjustments in the financial results for the six months ended Jun. 30, 2017

(Billion yen)

Six months ended Jun. 30, 2017					
U.S. GAAP		IFRS		Changes	Main reconciliation items
<b>Revenues</b>	<b>846.0</b>	<b>Revenue</b>	<b>847.0</b>	<b>+1.0</b>	
<b>Domestic</b>	280.6	<b>Domestic</b>	276.3	-4.3	Percentage-of-completion method -4.3
<b>Overseas</b>	565.4	<b>Overseas</b>	570.7	+5.3	Sales incentives +5.3
<b>Operating income</b>	11.9% <b>100.6</b>	<b>Operating profit</b>	11.8% <b>100.2</b>	<b>-0.4</b>	Percentage-of-completion method -1.6, Sales incentives +5.3, Capitalization of development expenses +2.1, Retirement benefit costs -1.0, Levies -2.0, Periodical allocation of sales expenses -1.9, Reclassification of foreign exchange gain (loss) -1.6
<b>Income before income taxes</b>	12.7% <b>107.6</b>	<b>Profit before income taxes</b>	12.8% <b>108.7</b>	<b>+1.1</b>	Same as above excluding reclassification of foreign exchange gain (loss)
<b>Net income attributable to Kubota Corp.</b>	8.3% <b>70.4</b>	<b>Profit attributable to owners of the parent</b>	8.4% <b>71.0</b>	<b>+0.6</b>	Increase in income taxes -0.5

## The Major Adjustments Resulting from the Adoption of IFRS

### ■ Adjustments in the financial results for the year ended Dec. 31, 2017

(Billion yen)

Year ended Dec. 31, 2017					
U.S. GAAP		IFRS		Changes	Main reconciliation items
<b>Revenues</b>	<b>1,751.5</b>	<b>Revenue</b>	<b>1,751.0</b>	-0.5	
<b>Domestic</b>	564.2	<b>Domestic</b>	563.8	-0.4	Percentage-of-completion method -0.4
<b>Overseas</b>	1,187.3	<b>Overseas</b>	1,187.2	-0.1	Sales incentives -0.1
<b>Operating income</b>	11.4% <b>198.8</b>	<b>Operating profit</b>	11.4% <b>200.0</b>	+1.1	Percentage-of-completion method -0.6, Sales incentives -0.1, Capitalization of development expenses +4.8, Retirement benefit costs -2.4, Levies -0.6
<b>Income before income taxes</b>	12.2% <b>212.9</b>	<b>Profit before income taxes</b>	12.2% <b>214.0</b>	+1.1	Same as above
<b>Net income attributable to Kubota Corp.</b>	7.8% <b>136.4</b>	<b>Profit attributable to owners of the parent</b>	7.7% <b>134.2</b>	-2.3	Increase in income taxes, including the effect of federal corporate tax rate cut in U.S. -3.3

## Reference Data (The United States)

For Earth, For Life  
Kubota

### ■ YoY growth rate of retail sales units in the tractor market by horsepower

		Jan.-Mar.	Apr.-June	Jul.-Sep.	Oct.-Dec.	Jan.-Jun.	Jan.-Dec.
2016	0-40hp	+26.1%	+7.1%	+9.6%	+14.0%	+12.7%	+12.1%
	40-120hp	-0.7%	-4.3%	-10.6%	-2.5%	-2.9%	-4.9%
	0-120hp	+14.9%	+3.5%	+2.3%	+7.4%	+7.3%	+6.0%
2017	0-40hp	+13.7%	+11.2%	-1.7%	+8.9%	+12.0%	+7.8%
	40-120hp	-4.0%	-1.4%	-4.0%	+2.4%	-2.5%	-1.6%
	0-120hp	+7.3%	+7.7%	-2.4%	+6.5%	+7.5%	+4.7%
2018	0-40hp	+1.6%	-	-	-	-	-
	40-120hp	-2.1%	-	-	-	-	-
	0-120hp	+0.4%	-	-	-	-	-

Source: AEM (Association of Equipment Manufacturers)

### ■ YoY growth rate of retail sales units in the mini-excavator market (0-8t)

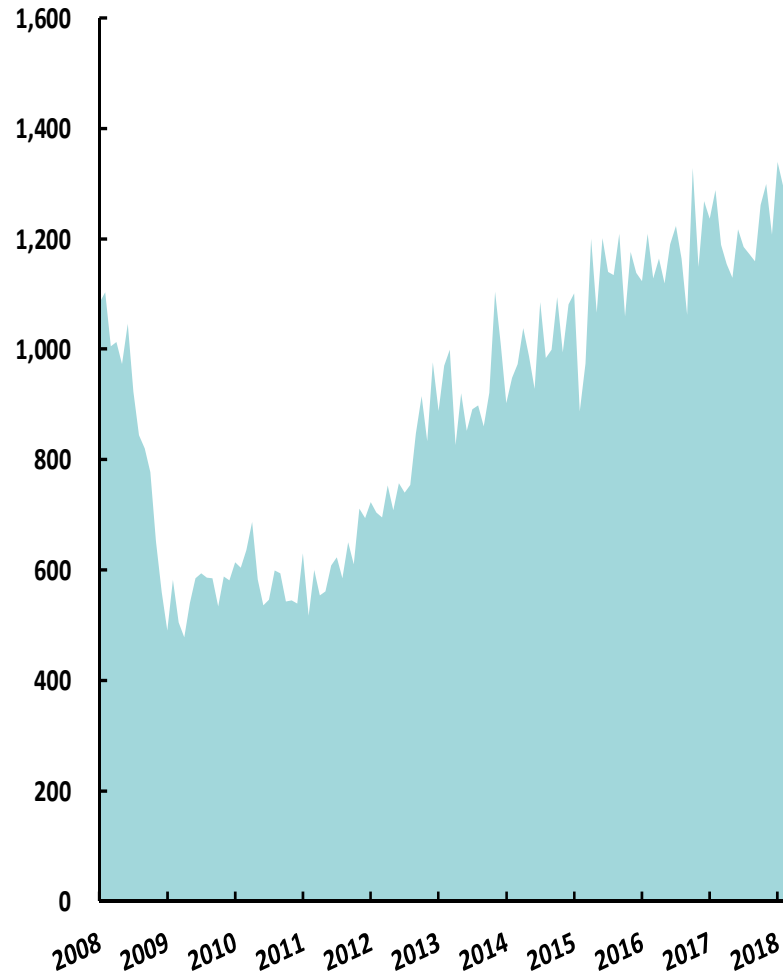
	Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Jan.-Jun.	Jan.-Dec.
2016	+27.6%	+13.0%	+8.9%	+6.2%	+18.4%	+12.7%
2017	+12.2%	+12.4%	+12.0%	+19.4%	+12.3%	+14.0%
2018	+5.9%	-	-	-	-	-

Source: AEM (Association of Equipment Manufacturers)

# Reference Data (The United States and Thailand)

■ New privately owned housing units started  
(Seasonally adjusted annual rate)

(Thousand units)



Source: U.S. Census Bureau

■ Export price of Thai rice (US\$/t)

(US\$) ■ Fragrant rice ■ White rice 100% B grade



Source: USDA, Thai Rice Exporters Association

## Cautionary Statements with Respect to Forward-Looking Statements

This document may contain forward-looking statements that are based on management's expectations, estimates, projections and assumptions. These statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. Therefore, actual future results may differ materially from what is forecast in forward-looking statements due to a variety of factors, including, without limitation: general economic conditions in the Company's markets, particularly government agricultural policies, levels of capital expenditures both in public and private sectors, foreign currency exchange rates, the occurrence of natural disasters, continued competitive pricing pressures in the marketplace, as well as the Company's ability to continue to gain acceptance of its products.





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