[Translation]

Quarterly Report

(The Third Quarter of the 129th Business Term)
From July 1, 2018 to September 30, 2018

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

Kubota Corporation

TABLE OF CONTENTS

COVER

[Document Filed]	Quarterly Report ("Shihanki Hokokusho")
[Applicable Law]	Article 24-4-7, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed to]	Director, Kanto Local Finance Bureau
[Filing Date]	November 9, 2018
[Fiscal Year]	The Third Quarter of the 129th Business Term (from July 1, 2018 to September 30, 2018)
[Company Name]	Kabushiki Kaisha Kubota
[Company Name in English]	Kubota Corporation
[Title and Name of Representative]	Masatoshi Kimata, President and Representative Director
[Address of Head Office]	2-47, Shikitsuhigashi 1-chome, Naniwa-ku, Osaka, JAPAN
[Phone No.]	+81-6-6648-2622
[Contact Person]	Setsuo Harashima, General Manager of Accounting Dept.
[Contact Address]	1-3, Kyobashi 2-chome, Chuo-ku, Tokyo, JAPAN, Kubota Corporation, Tokyo Head Office
[Phone No.]	+81-3-3245-3111
[Contact Person]	Tamaki Kunimasa, General Manager of Tokyo Administration Dept.
[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)

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 earnings per share)

	Nine months ended September 30, 2018	Nine months ended September 30, 2017	Year ended December 31, 2017
Revenue	¥ 1,364,392 [458,196]	¥ 1,270,369 [423,365]	¥ 1,751,038
Profit before income taxes	153,633	161,095	214,007
Profit attributable to owners of the parent	105,924 [33,997]	107,995 [36,991]	134,160
Comprehensive income for the period attributable to owners of the parent	95,891	108,593	148,460
Equity attributable to owners of the parent	1,348,856	1,255,210	1,291,094
Total assets	2,900,437	2,725,507	2,832,364
Earnings per share attributable to owners of the parent:			
Basic	85.92 [27.59]	87.24 [29.92]	108.45
Diluted	85.92	—	—
Ratio of equity attributable to owners of the parent to total assets (%)	46.5	46.1	45.6
Net cash provided by operating activities	68,892	96,594	137,185
Net cash used in investing activities	(36,060)	(14,695)	(45,984)
Net cash used in financing activities	(36,994)	(46,510)	(32,575)
Cash and cash equivalents, end of period	225,524	206,559	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. The figures of “Revenue,” “Profit attributable to owners of the parent,” and “Earnings per share attributable to owners of the parent—Basic” in square brackets are those for the three months ended September 30, 2018 and 2017, respectively.
3. As the Company prepares the condensed consolidated financial statements, its non-consolidated financial data are not presented.
4. Revenue does not include consumption taxes.
5. Amounts less than presentation units are rounded to the nearest unit.
6. “Earnings per share attributable to owners of the parent—Diluted” for the nine months ended September 30, 2017 and the year Ended December 31, 2017 are not stated because Kubota Corporation did not have potentially dilutive common shares that were outstanding during those periods.

2. Description of Business

There were no material changes in the Company’s business during the nine months ended September 30, 2018, nor were there any material changes in its subsidiaries and affiliates.

2. Business Overview

1. Risk Factors

For the nine months ended September 30, 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 September 30, 2018.

2. Material Contracts

There were no material contracts which were approved for conclusion or concluded for the three months ended September 30, 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 nine months ended September 30, 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 nine months ended September 30, 2018, revenue of the Company increased by ¥94.0 billion (7.4%) from the same period in the prior year to ¥1,364.4 billion.

Domestic revenue increased by ¥7.4 billion (1.8%) from the same period in the prior year to ¥422.8 billion because of increased revenue in Farm & Industrial Machinery, which compensated for lower revenue in Water & Environment.

Overseas revenue increased by ¥86.6 billion (10.1%) from the same period in the prior year to ¥941.6 billion. Revenue in Farm & Industrial Machinery increased due to strong sales of construction machinery and tractors. Revenue in Water & Environment increased as well due to increased sales of ductile iron pipes and wastewater treatment plants (Johkasou).

Operating profit decreased by ¥0.8 billion (0.5%) from the same period in the prior year to ¥148.4 billion. This decrease was mainly due to the negative effects from an increase in fixed costs and a rise in material prices, while there were some positive effects, such as increased sales in the domestic and overseas markets and the yen depreciation against the Euro. Profit before income taxes decreased by ¥7.5 billion (4.6%) from the same period in the prior year to ¥153.6 billion because finance income, which had previously included gain on sales of securities, decreased from the same period in the prior year. Income tax expenses decreased by ¥6.9 billion from the same period in the prior year to ¥40.8 billion mainly due to the federal corporate tax rate cut in the United States. Profit for the period decreased by ¥0.8 billion (0.7%) from the same period in the prior year to ¥114.3 billion. Profit attributable to owners of the parent decreased by ¥2.1 billion (1.9%) from the same period in the prior year to ¥105.9 billion.

In addition, the Company has detected improper conduct in the rolling mill roll business, such as submitting the inspection reports, stating values different from those in the actual inspection, to its customers. Rolling mill rolls are metal consumable parts used in some of the production equipment for steel plates. The Company sincerely apologizes for causing concern and inconvenience to all its customers and concerned parties again. The matter had an insignificant impact on the results of operations for the nine months ended September 30, 2018.

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 8.7% from the same period in the prior year to ¥1,139.6 billion and accounted for 83.5% of consolidated revenue.

Domestic revenue increased by 4.6% from the same period in the prior year to ¥234.7 billion due to increased sales of farm equipment, agricultural-related products, engines, and construction machinery.

Overseas revenue increased by 9.8% from the same period in the prior year to ¥904.8 billion. In North America, sales of construction machinery and engines increased due to solid demand for construction. Sales of utility vehicles also increased due to the introduction of a new model. In addition, sales of tractors increased due to continuous expansion of demand. In Europe, revenue increased due to significant growth in sales of construction machinery, as well as a favorable foreign exchange rate of the yen against the Euro and the British pound sterling. In Asia outside Japan, revenue decreased because sales of farm equipment in China decreased significantly resulting from the drastic shrink in demand. On the other hand, sales of farm equipment in Thailand increased due to recovered demand in response to a rise in the prices of rice and cassava. In addition, sales of tractors in India also increased.

Operating profit in this segment increased by 5.1% from the same period in the prior year to ¥158.1 billion due to some positive effects from increased sales in the domestic and overseas markets and the yen depreciation against the Euro, which compensated for some negative effects from increased fixed costs and sales promotion expenses.

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 1.4% from the same period in the prior year to ¥203.0 billion and accounted for 14.9% of consolidated revenue.

Domestic revenue decreased by 1.8% from the same period in the prior year to ¥166.5 billion. Revenue from pipe-related products decreased due to a significant decrease in sales of ductile iron pipes, while revenue from environment-related products and social infrastructure-related products increased.

Overseas revenue increased by 19.2% from the same period in the prior year to ¥36.5 billion because export sales of ductile iron pipes to the Middle East increased significantly. In addition, export sales of wastewater treatment plants (Johkasou) to China increased as well.

Operating profit in this segment decreased by 32.9% from the same period in the prior year to ¥11.1 billion mainly due to a rise in material prices and the decrease in domestic sales of ductile iron pipes.

3) Other

Other is comprised of a variety of services.

Revenue in this segment increased by 1.4% from the same period in the prior year to ¥21.9 billion and accounted for 1.6% of consolidated revenue.

Operating profit in this segment decreased by 19.0% from the same period in the prior year to ¥1.8 billion.

(2) Analysis of Financial Condition

Total assets at September 30, 2018 were ¥2,900.4 billion, an increase of ¥68.1 billion from the prior fiscal year-end.

With respect to assets, finance receivables significantly increased along with the expansion in sales financing operations in North America and Thailand, where retail sales were strong.

With respect to liabilities, bonds and borrowings increased due to the expansion in sales financing operations, while income taxes payable decreased.

Equity increased as the accumulation of retained earnings compensated for a decrease in other components of equity which was due to fluctuations in prices of securities and foreign exchange rates and an increase in treasury stock. The ratio of equity attributable to owners of the parent to total assets stood at 46.5%, 0.9 percent higher than at the prior fiscal year-end.

(3) Analysis of Cash Flows

Net cash provided by operating activities during the nine months ended September 30, 2018 was ¥68.9 billion, a decrease of ¥27.7 billion in net cash inflow compared with the same period in the prior year. This decrease resulted from an increase in finance receivables caused by the expansion in sales financing operations in addition to the changes in working capital, such as trade receivables and inventories.

Net cash used in investing activities was ¥36.1 billion, an increase of ¥21.4 billion in net cash outflow compared with the same period in the prior year. This increase was mainly due to a decrease in cash inflow related to proceeds from sales and redemption of securities and a net decrease in time deposits, while there was a decrease in cash outflow related to acquisition of property, plant, and equipment.

Net cash used in financing activities was ¥37.0 billion, a decrease of ¥9.5 billion in net cash outflow compared with the same period in the prior year. This decrease was mainly due to an increase in funding.

As a result of the above, and after taking into account the effects from exchange rate changes, cash and cash equivalents at September 30, 2018 were ¥225.5 billion, a decrease of ¥5.2 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 nine months ended September 30, 2018, and no additional issues arose during the period.

(5) Research and Development

The Company's research and development expenses for the nine months ended September 30, 2018 were ¥37.1 billion. There were no material changes in the Company's research and development activities during the nine months ended September 30, 2018.

(6) Major Property, Plant, and Equipment

The following table presents a plan for new construction of material property, plant, and equipment which was newly commenced for the nine months ended September 30, 2018:

Company name (Location)	Reportable segment	Description	Estimated amount of expenditures		Schedule	
			Total amount of expenditures	Amount already paid	Commenced	To be completed
Kubota Canada Ltd. (Ontario, CANADA)	Farm & Industrial Machinery	Building of new head office and warehouses for business expansion	(millions of CAN$) 67.5	(millions of CAN$) —	April 2018	October 2019
Kubota Europe S.A.S. (Val-d'Oise, FRANCE)	Farm & Industrial Machinery	Building of new research and development hub	(millions of EUR) 56.1	(millions of EUR) —	July 2018	July 2020

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) (September 30, 2018)	Number of shares issued as of filing date (shares) (November 9, 2018)	Stock exchange on which Kubota Corporation is listed	Description
Common shares	1,234,056,846	1,234,056,846	Tokyo Stock Exchange, Inc. (the first section)	The number of shares per one unit of shares is 100 shares.
Total	1,234,056,846	1,234,056,846	—	—

(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 stock (¥ in millions)	Balance of common stock (¥ in millions)	Changes in capital reserve (¥ in millions)	Balance of capital reserve (¥ in millions)
From: July 1, 2018 To: September 30, 2018	—	1,234,056	¥ —	¥ 84,130	¥ —	¥ 73,117

(6) Major Shareholders

Not applicable.

(7) Information on Voting Rights

Information on voting rights on the shareholders' list as of June 30, 2018 is stated in this sub-section since Kubota Corporation could not identify the number of voting rights as of September 30, 2018 due to the lack of information.

1) Issued Shares

(As of June 30, 2018)

Classification		Number of shares (shares)	Number of voting rights	Description
Shares without voting rights		—	—	—
Shares with restricted voting rights (treasury shares, etc.)		—	—	—
Shares with restricted voting rights (others)		—	—	—
Shares with full voting rights (treasury shares, etc.)	(Treasury shares) Common shares:	1,601,300	—	—

	(Crossholding shares) Common shares:	718,400		
Shares with full voting rights (others)	Common shares:	1,231,478,400	12,314,784	—
Shares less than one unit	Common shares:	258,746	—	Shares less than one unit (100 shares)
Number of issued shares		1,234,056,846	—	—
Total number of voting rights		—	12,314,784	—

(Note)

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

2) Treasury Shares

(As of June 30, 2018)

Name of shareholder	Address	Number of shares held under own name (shares)	Number of shares held under the names of others (shares)	Total shares held (shares)	Ownership percentage to the total number of issued shares (%)
(Treasury share) Kubota Corporation	2-47, Shikitsuhigashi 1-chome, Naniwa-ku, Osaka, JAPAN	1,601,300	—	1,601,300	0.12
(Crossholding shares) Akita Kubota Corporation	295-38, Terauchikamiyashiki, Akita-shi, Akita, JAPAN	41,400	—	41,400	0.00
Minami Tohoku Kubota Corporation	16-1, Takakura Sugishita, Hiwadamachi, Koriyama-shi, Fukushima, JAPAN	102,000	—	102,000	0.00
Hokuriku Kinki Kubota Corporation	956-1, Shimokashiwanomachi, Hakusan-shi, Ishikawa, JAPAN	9,000	—	9,000	0.00
Fukuoka Kyushu Kubota Corporation	11-36, Noma 1-chome, Minami-ku, Fukuoka, JAPAN	566,000	—	566,000	0.04
Total crossholding share	—	718,400	—	718,400	0.05
Total	—	2,319,700	—	2,319,700	0.18

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 September 30, 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 September 30, 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	September 30, 2018	December 31, 2017	January 1, 2017 (Transition date)
ASSETS				
Current assets:				
Cash and cash equivalents		¥ 225,524	¥ 230,720	¥ 169,416
Trade receivables		638,982	639,083	623,410
Finance receivables		272,615	250,684	230,925
Other financial assets	5	46,172	51,515	63,710
Inventories		383,831	358,854	352,598
Income taxes receivable		8,358	20,787	17,325
Other current assets		49,956	56,783	52,414
Total current assets		1,625,438	1,608,426	1,509,798
Non-current assets:				
Investments accounted for using the equity method		30,548	29,333	28,505
Finance receivables		619,462	559,479	491,444
Other financial assets	5	180,339	188,738	184,854
Property, plant, and equipment		323,899	321,741	301,866
Goodwill and intangible assets		47,578	46,983	40,340
Deferred tax assets		44,272	48,987	50,698
Other non-current assets		28,901	28,677	26,275
Total non-current assets		1,274,999	1,223,938	1,123,982
Total assets		¥ 2,900,437	¥ 2,832,364	¥ 2,633,780

(¥ in millions)

	Note	September 30, 2018	December 31, 2017	January 1, 2017 (Transition date)
LIABILITIES AND EQUITY				
Current liabilities:				
Bonds and borrowings		¥ 343,260	¥ 363,488	¥ 338,488
Trade payables		297,750	286,121	255,859
Other financial liabilities		50,529	39,561	45,148
Income taxes payable		6,944	37,221	19,650
Provisions		18,780	21,213	17,387
Other current liabilities	6	183,806	169,849	157,872
Total current liabilities		901,069	917,453	834,404
Non-current liabilities:				
Bonds and borrowings		505,701	470,613	476,871
Other financial liabilities		5,004	3,621	1,919
Retirement benefit liabilities		12,768	12,943	12,091
Deferred tax liabilities		32,419	41,175	35,861
Other non-current liabilities	6	7,607	10,991	5,560
Total non-current liabilities		563,499	539,343	532,302
Total liabilities		1,464,568	1,456,796	1,366,706
Equity:				
Equity attributable to owners of the parent:				
Share capital		84,130	84,100	84,070
Share premium		85,922	85,037	84,605
Retained earnings		1,109,904	1,040,207	954,819
Other components of equity		72,076	81,924	70,463
Treasury shares, at cost		(3,176)	(174)	(192)
Total equity attributable to owners of the parent		1,348,856	1,291,094	1,193,765
Non-controlling interests		87,013	84,474	73,309
Total equity		1,435,869	1,375,568	1,267,074
Total liabilities and equity		¥ 2,900,437	¥ 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

Nine months ended September 30, 2018 and 2017

Condensed Consolidated Statement of Profit or Loss

(¥ in millions, except earnings per share)

	Note	2018	%	2017	%
Revenue	7	¥ 1,364,392	100.0	¥ 1,270,369	100.0
Cost of sales		(971,674)		(896,001)	
Selling, general, and administrative expenses		(241,815)		(226,067)	
Other income		2,075		1,626	
Other expenses		(4,536)		(703)	
Operating profit		148,442	10.9	149,224	11.7
Finance income		6,739		19,735	
Finance costs		(1,548)		(7,864)	
Profit before income taxes		153,633	11.3	161,095	12.7
Income tax expenses		(40,793)		(47,654)	
Share of profits of investments accounted for using the equity method		1,472		1,711	
Profit for the period		¥ 114,312	8.4	¥ 115,152	9.1

	Note	2018	%	2017	%
Profit attributable to:					
Owners of the parent		¥ 105,924	7.8	¥ 107,995	8.5
Non-controlling interests		¥ 8,388	0.6	¥ 7,157	0.6

	Note	2018	2017
Earnings per share attributable to owners of the parent:	8		
Basic		¥ 85.92	¥ 87.24
Diluted		¥ 85.92	¥ —

Condensed Consolidated Statement of Comprehensive Income

(¥ in millions)

	Note	2018	2017
Profit for the period		¥ 114,312	¥ 115,152
Other comprehensive income, net of tax:			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit pension plans		203	(13)
Net changes in financial assets measured at fair value through other comprehensive income		(8,833)	—
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		(968)	4,179
Unrealized losses on securities		—	(1,193)
Total other comprehensive income, net of tax		(9,598)	2,973
Comprehensive income for the period		¥ 104,714	¥ 118,125

	Note	2018	2017
Comprehensive income for the period attributable to:			
Owners of the parent		¥ 95,891	¥ 108,593
Non-controlling interests		¥ 8,823	¥ 9,532

See notes to condensed consolidated financial statements.

Three months ended September 30, 2018 and 2017

Condensed Consolidated Statement of Profit or Loss

(¥ in millions, except earnings per share)

	Note		2018	%		2017	%
Revenue		¥	458,196	100.0	¥	423,365	100.0
Cost of sales			(330,768)			(299,172)	
Selling, general, and administrative expenses			(82,127)			(77,403)	
Other income			3,422			2,457	
Other expenses			(1,421)			(185)	
Operating profit			47,302	10.3		49,062	11.6
Finance income			2,553			5,528	
Finance costs			(1,396)			(2,222)	
Profit before income taxes			48,459	10.6		52,368	12.4
Income tax expenses			(12,794)			(13,764)	
Share of profits of investments accounted for using the equity method			591			810	
Profit for the period		¥	36,256	7.9	¥	39,414	9.3

	Note		2018	%		2017	%
Profit attributable to:							
Owners of the parent		¥	33,997	7.4	¥	36,991	8.7
Non-controlling interests		¥	2,259	0.5	¥	2,423	0.6

	Note		2018		2017
Earnings per share attributable to owners of the parent:	8				
Basic		¥	27.59	¥	29.92
Diluted		¥	27.59	¥	—

Condensed Consolidated Statement of Comprehensive Income

(¥ in millions)

	Note		2018		2017
Profit for the period		¥	36,256	¥	39,414
Other comprehensive income, net of tax:					
Items that will not be reclassified to profit or loss:					
Remeasurements of defined benefit pension plans			(95)		(201)
Net changes in financial assets measured at fair value through other comprehensive income			5,941		—
Items that may be reclassified to profit or loss:					
Exchange differences on translating foreign operations			23,795		14,489
Unrealized losses on securities			—		(2,036)
Total other comprehensive income, net of tax			29,641		12,252
Comprehensive income for the period		¥	65,897	¥	51,666

Comprehensive income for the period attributable to:				
Owners of the parent	¥	60,602	¥	47,704
Non-controlling interests	¥	5,295	¥	3,962

See notes to condensed consolidated financial statements.

(3) Condensed Consolidated Statement of Changes in Equity

(¥ in millions)

	Note	Share capital	Share premium	Retained earnings	Other components of equity	Treasury shares, at cost	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
		Equity attributable to owners of the parent							
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				105,924			105,924	8,388	114,312
Other comprehensive income for the period, net of tax					(10,033)		(10,033)	435	(9,598)
Comprehensive income for the period				105,924	(10,033)		95,891	8,823	104,714
Reclassified into retained earnings				3,093	(3,093)		—		—
Dividends paid	9			(40,697)			(40,697)	(6,374)	(47,071)
Purchases and sales of treasury shares						(3,002)	(3,002)		(3,002)
Restricted stock compensation		30	15				45		45
Changes in ownership interests in subsidiaries			870		16		886	(924)	(38)
Balance at September 30, 2018		¥ 84,130	¥ 85,922	¥ 1,109,904	¥ 72,076	¥ (3,176)	¥ 1,348,856	¥ 87,013	¥ 1,435,869

	Note	Share capital	Share premium	Retained earnings	Other components of equity	Treasury shares, at cost	Total equity attributable to owners of the parent	Non-controlling 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				107,995			107,995	7,157	115,152
Other comprehensive income for the period, net of tax					598		598	2,375	2,973
Comprehensive income for the period				107,995	598		108,593	9,532	118,125
Reclassified into retained earnings				(9)	9		—		—
Dividends paid	9			(38,421)			(38,421)	(3,701)	(42,122)
Purchases and sales of treasury shares			144			(9,172)	(9,028)		(9,028)
Restricted stock compensation		30					30		30
Changes in ownership interests in subsidiaries			271				271	2,006	2,277
Balance at September 30, 2017		¥ 84,100	¥ 85,020	¥ 1,024,384	¥ 71,070	¥ (9,364)	¥ 1,255,210	¥ 81,146	¥ 1,336,356

See notes to condensed consolidated financial statements.

(4) Condensed Consolidated Statement of Cash Flows

(¥ in millions)

Nine months ended September 30:	Note	2018	2017
Operating activities:			
Profit for the period		¥ 114,312	¥ 115,152
Depreciation and amortization		36,705	33,562
Finance income and costs		(4,592)	(12,534)
Income tax expenses		40,793	47,654
Share of profits of investments accounted for using the equity method		(1,472)	(1,711)
(Increase) decrease in trade receivables		(5,882)	15,028
Increase in finance receivables		(74,657)	(63,789)
Increase in inventories		(29,343)	(19,607)
Decrease in other assets		11,071	3,708
Increase in trade payables		13,383	17,785
Increase in other liabilities		22,179	9,933
Other		4,352	1,587
Interest received		3,017	2,865
Dividends received		2,206	2,215
Interest paid		(510)	(741)
Income taxes paid		(62,670)	(54,513)
Net cash provided by operating activities		68,892	96,594
Investing activities:			
Acquisition of property, plant, and equipment		(36,085)	(40,201)
Acquisition of intangible assets		(6,899)	(5,473)
Proceeds from sales and redemptions of securities		6,005	11,768
Net (increase) decrease in short-term loans receivable from associates		(1,103)	2,082
Net decrease in time deposits		5,644	18,059
Net increase in marketable securities		(3,532)	—
Other		(90)	(930)
Net cash used in investing activities		(36,060)	(14,695)
Financing activities:			
Funding from bonds and borrowings		186,262	185,648
Redemptions of bonds and repayments of borrowings		(160,059)	(141,133)
Net decrease in short-term borrowings		(13,077)	(40,086)
Payments of dividends	9	(40,697)	(38,421)
Purchases of treasury shares		(3,002)	(9,172)
Other		(6,421)	(3,346)
Net cash used in financing activities		(36,994)	(46,510)
Effect of exchange rate changes on cash and cash equivalents		(1,034)	1,754
Net (decrease) increase in cash and cash equivalents		(5,196)	37,143
Cash and cash equivalents, beginning of period		230,720	169,416
Cash and cash equivalents, end of period		¥ 225,524	¥ 206,559

See notes to condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements

Kubota Corporation and its Subsidiaries

1. REPORTING ENTITY

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

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

2. BASIS OF FINANCIAL STATEMENTS

Compliance with International Financial Reporting Standards (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 (hereinafter, the "Ordinance") since the Company qualifies as a "Specified Company under Designated International Financial Reporting Standards" pursuant to the provision of Article 1-2 of the Ordinance.

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 effects of the transition to IFRS on the Company's financial position, operating results, and cash flows are stated in Note 13. DISCLOSURE OF TRANSITION TO IFRS.

Basis of Measurement

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

Functional Currency and Presentation Currency

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

Significant Accounting 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 assets, liabilities, revenue, and expenses. Actual results could differ from those accounting estimates and assumptions.

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

The judgements made in applying accounting policies, which could have a material impact on the Company's condensed consolidated financial statements, and the assumptions and estimates which could have a material risk of causing material adjustments to the Company's condensed consolidated financial statements after the end of the reporting period are stated in "Significant Accounting Estimates and Material Judgements Required for Estimates" in "Note 2. BASIS OF FINANCIAL STATEMENTS" in the Notes to Condensed Consolidated Financial Statements in the Company's Quarterly Report for the First Quarter of the 129th Business Term (from January 1, 2018 to March 31, 2018).

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied on the condensed financial statements are stated in “Note 3. SIGNIFICANT ACCOUNTING POLICIES” in the Notes to Condensed Consolidated Financial Statements in the Company's Quarterly Report for the First Quarter of the 129th Business Term (from January 1, 2018 to March 31, 2018).

Those accounting policies apply to all periods presented in the condensed consolidated financial statements, including statement of financial position as of the transition date.

Changes in Accounting Policies

The Company adopted IFRS 9, “Financial instruments (2014)” (hereinafter, IFRS 9) beginning from the current fiscal year started on January 1, 2018. In accordance with exemptions from the retrospective application of IFRS 7 “Financial Instruments: Disclosures”, and IFRS 9 under IFRS 1, the Company applied accounting principles generally accepted in the United States of America (hereinafter, “U.S. GAAP”), the previous accounting standards for the comparative information.

The major impacts arising from the adoption of this standard are 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 were 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 measures them 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.

The 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 nine months and the three months ended September 30, 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 which are 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)

Nine months ended September 30:	Farm & Industrial Machinery	Water & Environment	Other	Adjustments	Consolidated
2018:					
Revenue:					
External customers	¥ 1,139,551	¥ 202,974	¥ 21,867	¥ —	¥ 1,364,392
Intersegment	183	764	20,081	(21,028)	—
Total	1,139,734	203,738	41,948	(21,028)	1,364,392
Operating profit	¥ 158,100	¥ 11,144	¥ 1,750	¥ (22,552)	¥ 148,442
2017:					
Revenue:					
External customers	¥ 1,048,595	¥ 200,207	¥ 21,567	¥ —	¥ 1,270,369
Intersegment	198	1,205	19,692	(21,095)	—
Total	1,048,793	201,412	41,259	(21,095)	1,270,369
Operating profit	¥ 150,449	¥ 16,597	¥ 2,161	¥ (19,983)	¥ 149,224

(Notes)

1. "Adjustments" include the elimination of intersegment transfers and unallocated corporate expenses. The unallocated corporate expenses included in "Adjustments" consisted mainly of basic research expenses which are difficult to link to a particular reportable segment and expenses incurred in the administrative department of the Parent Company.
2. The aggregated amounts of operating profit are equivalent to those presented in the condensed consolidated statement of profit or loss. Refer to the condensed consolidated statement of profit or loss for the reconciliation of operating profit to profit before income taxes.
3. Intersegment transfers are recorded at values that approximate market prices.

(¥ in millions)

Three months ended September 30:	Farm & Industrial Machinery	Water & Environment	Other	Adjustments	Consolidated
2018:					
Revenue:					
External customers	¥ 388,556	¥ 62,560	¥ 7,080	¥ —	¥ 458,196
Intersegment	23	235	6,685	(6,943)	—
Total	388,579	62,795	13,765	(6,943)	458,196
Operating profit	¥ 49,387	¥ 2,017	¥ 639	¥ (4,741)	¥ 47,302
2017:					
Revenue:					
External customers	¥ 350,853	¥ 65,809	¥ 6,703	¥ —	¥ 423,365
Intersegment	32	226	6,363	(6,621)	—
Total	350,885	66,035	13,066	(6,621)	423,365
Operating profit	¥ 48,600	¥ 4,790	¥ 666	¥ (4,994)	¥ 49,062

(Notes)

1. “Adjustments” include the elimination of intersegment transfers and unallocated corporate expenses. The unallocated corporate expenses included in “Adjustments” consisted mainly of basic research expenses which are difficult to link to a particular reportable segment and expenses incurred in the administrative department of the Parent Company.
2. The aggregated amounts of operating profit are equivalent to those presented in the condensed consolidated statement of profit or loss. Refer to the condensed consolidated statement of profit or loss for the reconciliation of operating profit to profit before income taxes.
3. Intersegment transfers are recorded at values that approximate market prices.

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)

		September 30, 2018
Financial assets measured at amortized cost		
Long-term trade accounts receivable	¥	45,705
Time deposits		7,038
Restricted cash*		12,998
Others		17,376
Financial assets measured at fair value through other comprehensive income		
Debt financial assets		11,473
Equity financial assets		131,491
Financial assets measured at fair value through profit or loss		
Derivatives		430
Total	¥	226,511
Current assets		46,172
Non-current assets		180,339

(¥ 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 from its withdrawal and advances received for public work which is restricted from its usage.

6. OTHER LIABILITIES

The following table presents the Company's other liabilities:

(¥ in millions)

	September 30, 2018	December 31, 2017	January 1, 2017 (Transition date)
Employment benefit liabilities	¥ 52,548	¥ 42,076	¥ 37,518
Accrued expenses	32,211	31,460	29,969
Refund liabilities	44,498	43,739	41,832
Contract liabilities	13,579	11,593	9,295
Others	48,577	51,972	44,818
Total	¥ 191,413	¥ 180,840	¥ 163,432
Current liabilities	183,806	169,849	157,872
Non-current liabilities	7,607	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 group and location:

(¥ in millions)

Nine months ended September 30, 2018	Japan	North America	Europe	Asia outside Japan	Other area	Total
Farm equipment and engines	¥ 208,259	¥ 304,441	¥ 124,760	¥ 202,578	¥ 30,283	¥ 870,321
Construction machinery	24,225	101,838	68,593	16,786	9,365	220,807
Farm & Industrial Machinery	232,484	406,279	193,353	219,364	39,648	1,091,128
Pipe-related products	97,884	413	5	5,876	5,935	110,113
Environment-related products	50,324	891	470	5,928	844	58,457
Social infrastructure-related products	18,261	6,013	1,585	4,445	4,100	34,404
Water & Environment	166,469	7,317	2,060	16,249	10,879	202,974
Other	21,584	5	8	27	3	21,627
Revenue recognized from:						
Contracts with customers	420,537	413,601	195,421	235,640	50,530	1,315,729
Other sources of revenue	2,238	31,248	—	14,007	1,170	48,663
Total	¥ 422,775	¥ 444,849	¥ 195,421	¥ 249,647	¥ 51,700	¥ 1,364,392

(¥ in millions)

Nine months ended September 30, 2017	Japan	North America	Europe	Asia outside Japan	Other area	Total
Farm equipment and engines	¥ 199,115	¥ 261,497	¥ 112,304	¥ 213,456	¥ 34,520	¥ 820,892
Construction machinery	22,917	82,421	53,478	15,830	9,674	184,320
Farm & Industrial Machinery	222,032	343,918	165,782	229,286	44,194	1,005,212
Pipe-related products	103,721	902	153	5,587	1,723	112,086
Environment-related products	48,679	1,306	637	4,229	1,160	56,011
Social infrastructure-related products	17,181	6,081	1,698	4,231	2,919	32,110
Water & Environment	169,581	8,289	2,488	14,047	5,802	200,207
Other	21,341	6	3	92	2	21,444
Revenue recognized from:						
Contracts with customers	412,954	352,213	168,273	243,425	49,998	1,226,863
Other sources of revenue	2,447	27,256	—	12,788	1,015	43,506
Total	¥ 415,401	¥ 379,469	¥ 168,273	¥ 256,213	¥ 51,013	¥ 1,270,369

Revenue recognized from other sources of revenue includes revenue from retail finance under IFRS 9 and revenue from finance lease under IAS 17. The amounts of the above revenue are ¥36,222 million and ¥32,616 million for the nine months ended September 30, 2018 and 2017, respectively.

8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

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

Each common share and participating equity instrument has the same rights to profit 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:

Nine months ended September 30:		**2018**		**2017**
(¥ in millions)				
Profit attributable to owners of the parent	¥	105,924	¥	107,995
Profit attributable to participating equity instruments		1		1
Profit attributable to common shareholders	¥	107,923	¥	107,994
(thousands of shares)				
Weighted-average number of common shares outstanding		1,232,808		1,237,928
Weighted-average number of participating equity instruments		16		16
Weighted-average number of common shares		1,232,791		1,237,912

Three months ended September 30:		**2018**		**2017**
(¥ in millions)				
Profit attributable to owners of the parent	¥	33,997	¥	36,991
Profit attributable to participating equity instruments		1		1
Profit attributable to common shareholders	¥	33,996	¥	33,990
(thousands of shares)				
Weighted-average number of common shares outstanding		1,232,118		1,236,208
Weighted-average number of participating equity instruments		19		20
Weighted-average number of common shares		1,232,099		1,236,188

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

Nine months ended September 30:		**2018**		**2017**
(¥ in millions)				
Profit attributable to owners of the parent	¥	105,924	¥	—
Profit attributable to participating equity instruments used to calculate earnings per share attributable to owners of the parent —diluted		1		—
Profit attributable to common shareholders used to calculate earnings per share attributable to owners of the parent —diluted	¥	105,923	¥	—
(thousands of shares)				
Weighted-average number of common shares outstanding		1,232,808		—
Addition: remuneration for domestic non-resident		2		—
Weighted-average number of participating equity instruments		16		—
Weighted-average number of common shares used to calculate earnings per share attributable to owners of the parent —diluted		1,232,794		—

Three months ended September 30:	2018	2017
(¥ in millions)		
Profit attributable to owners of the parent	¥ 33,997	¥ —
Profit attributable to participating equity instruments used to calculate earnings per share attributable to owners of the parent —diluted	1	—
Profit attributable to common shareholders used to calculate earnings per share attributable to owners of the parent —diluted	¥ 33,996	¥ —
(thousands of shares)		
Weighted-average number of common shares outstanding	1,232,118	—
Addition: remuneration for domestic non-resident	2	—
Weighted-average number of participating equity instruments	19	—
Weighted-average number of common shares used to calculate earnings per share attributable to owners of the parent —diluted	1,232,101	—

9. DIVIDENDS

Dividends paid are as follows:

Nine months ended September 30, 2018

Resolution	Class of shares	Dividends (¥ in millions)	Dividends per common share	Record date	Effective date
The Meeting of the Board of Directors on February 14, 2018	Common shares	¥ 20,978	¥ 17.00	December 31, 2017	March 26, 2018
The Meeting of the Board of Directors on August 2, 2018	Common shares	¥ 19,719	¥ 16.00	June 30, 2018	September 3, 2018

Nine months ended September 30, 2017

Resolution	Class of shares	Dividends (¥ in millions)	Dividends per common share	Record date	Effective date
The Meeting of the Board of Directors on February 14, 2017	Common shares	¥ 19,857	¥ 16.00	December 31, 2016	March 27, 2017
The Meeting of the Board of Directors on August 3, 2017	Common shares	¥ 18,564	¥ 15.00	June 30, 2017	September 1, 2017

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value are classified into the following three levels by inputs used for measurements.

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

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

Level 3 – Unobservable inputs for the assets or liabilities: 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
September 30, 2018:				
Financial assets:				
Financial assets measured at fair value through profit or loss				
Derivatives				
Foreign exchange contracts	¥ —	¥ 76	¥ —	¥ 76
Interest rate swap contracts	—	340	—	340
Cross-currency interest rate swap contracts	—	14	—	14
Financial assets measured at fair value through other comprehensive income				
Debt financial assets	11,473	—	—	11,473
Equity financial assets	126,909	—	4,582	131,491
Total	¥ 138,382	¥ 430	¥ 4,582	¥ 143,394
Financial liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivatives				
Foreign exchange contracts	¥ —	¥ 1,145	¥ —	¥ 1,145
Interest rate swap contracts	—	262	—	262
Cross-currency interest rate swap contracts	—	2,572	—	2,572
Total	¥ —	¥ 3,979	¥ —	¥ 3,979
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
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 classified into Level 1 are measured at fair value using quoted prices for identical assets in active markets.

Because derivatives are measured at fair value using observable market inputs from major international financial institutions, they are classified into Level 2.

Equity financial assets classified into Level 3 are unlisted equity securities and measured at fair value using methods such as comparable company comparison method with EBIT ratio (from 2.2 to 11.8), etc. As EBIT ratio increases (decreases), the fair values on those equity financial assets decrease (increase).

Transfers between the levels are recognized at the end of the reporting period when such transfers are made. There were no significant transfers on financial instruments between the levels for the nine months ended September 30, 2018.

The following table presents the changes in financial instruments classified into Level 3 for the nine months ended September 30, 2018:

(¥ in millions)

Balance at beginning of period	¥ 8,123
Gains or losses	(3,253)
Purchases	21
Sales	(309)
Balance at end of period	¥ 4,582

(Note)
Gains or losses are those related to unlisted equity securities held at September 30, 2018 and included in net changes in financial assets measured at fair value through other comprehensive income in the condensed consolidated statement of comprehensive income.

Financial instruments measured at amortized cost

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

(¥ in millions)

	September 30, 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	¥ 681,339	¥ 648,862	¥ 628,115	¥ 613,327	¥ 559,066	¥ 550,357
Lease receivables	210,738	236,039	182,048	212,275	163,303	191,393
Long-term trade account receivable	80,235	85,178	69,127	74,336	69,174	74,366
Bonds and borrowings	848,961	834,008	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 include 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, equity financial assets, and derivatives measured at fair value), trade payables, and other financial liabilities (excluding derivatives) approximates fair value because of the short maturity of these 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 706 construction workers who suffered from asbestos-related diseases.

Among 30 lawsuits, in the case of the First Kansai Construction Asbestos litigation action in Kyoto, the appellate court ordered ten asbestos related companies, including the Company and the Japanese government, to pay compensation damages. The Parent Company and KMEW Co., Ltd. are jointly liable for ¥7 million under the judgement.

Apart from the above case, the other six cases were decided in favor of the Company under the judgement of first instance. Among the six, the three appellate courts ruled in favor of the Company.

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

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

The Company does not have any cost-sharing arrangements with other potentially responsible parties, including the government for these 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 as a voluntary consolation payment to the residents in April 2006. With regard to the current and former employees who suffered and are suffering from asbestos-related diseases, the Company provides compensation which is not required by law, but is made in accordance with the Company's internal policies.

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

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

The Company accrues asbestos-related expenses when the Company receives the related claims, which include possible payments to certain residents who lived near the Company's plant and current and former employees, and the special contribution in accordance with the New Asbestos Law. The accrued balances for those expenses are ¥227 million, ¥72 million, and ¥177 million at September 30, 2018, December 31, 2017, and January 1, 2017, respectively. The asbestos related expenses recognized for the nine months ended September 30, 2018 and 2017 were ¥594 million and ¥599 million, respectively.

Matters Related to Improper Conduct

The Company detected improper conduct in the rolling mill roll business, such as submitting the inspection reports, stating values different from those in the actual inspection, to its customers. Rolling mill rolls are metal consumable parts used in some of the production equipment of steel plates. Although the progress on this matter may incur related costs, such as the compensation payment to its customers, etc., and adversely affect the consolidated results of operations, the Company currently does not expect this to have a material impact on the consolidated financial statements.

12. SUBSEQUENT EVENTS

Not applicable.

13. DISCLOSURE OF TRANSITION TO IFRS

The condensed consolidated financial statements are prepared in accordance with IFRS for the first time from the beginning of the fiscal year ending December 31, 2018. The latest consolidated financial statements in accordance with U.S. GAAP were prepared for the year ended December 31, 2017 and the 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 adopt IFRS retrospectively to prior periods. However, IFRS 1 provides mandatory exceptions prohibiting retrospective application and certain exemptions that allow first-time adopters to voluntarily choose not to apply certain standards retrospectively.

The effects of applying IFRS 1 are adjusted in retained earnings or other components of equity at the transition date.

Major exemptions adopted by the Company are as follows:

(1) Business combinations

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

(3) Exemptions from retrospective application of IFRS 9

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

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.

Reconciliation of equity as of January 1, 2017, transition date, and as of December 31, 2017, and reconciliation of comprehensive income for the year ended December 31, 2017 are shown in "Note 13. DISCLOSURE OF TRANSITION TO IFRS" in the Notes to Condensed Consolidated Financial Statements in the Company's Quarterly Report for the First Quarter of the 129th Business Term (from January 1, 2018 to March 31, 2018).

a) Reconciliation of equity as of September 30, 2017

(¥ in millions)

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	¥ 206,559			¥ 206,559		Cash and cash equivalents
Notes and accounts receivable:						
Trade notes	61,787					
Trade accounts	541,150					
Less: Allowance for doubtful notes and accounts receivable	(2,981)					
Net notes and accounts receivable	599,956	¥ (3,062)		596,894		Trade receivables
Short-term finance receivables-net	258,219	(13,926)		244,293	A	Finance receivables
		37,500		37,500	A	Other financial assets
Inventories	381,918		¥ (1,339)	380,579	F	Inventories
		21,836		21,836		Income taxes receivable
Other current assets	103,684	(51,030)	183	52,837	A,F	Other current assets
Total current assets	1,550,336	(8,682)	(1,156)	1,540,498		Total current assets
Investments and long-term finance receivables:						**Non-current assets:**
Investments in and loans receivable from affiliated companies	28,385			28,385		Investments accounted for using the equity method
Other investments	135,535	(135,535)				
Long-term finance receivables—net	558,461	(18,313)		540,148	A	Finance receivables
Total investments and long-term finance receivables	722,381					
		184,551		184,551	A	Other financial assets
Property, plant, and equipment:						
Land	84,998					
Buildings	306,222					
Machinery and equipment	507,586					
Construction in progress	13,763					
Total property, plant, and equipment	912,569					
Less: Accumulated depreciation	(593,376)					
Net property, plant, and equipment	319,193	(12,526)	187	306,854	C	Property, plant, and equipment
Other assets:						
Goodwill and intangible assets-net	45,317	(2,600)	149	42,866	B,C	Goodwill and intangible assets
Long-term trade accounts receivable	46,282	(46,282)				
		45,915	10,991	56,906	G	Deferred tax assets
Other	61,885	(34,252)	(2,334)	25,299	D	Other non-current assets
Less: Allowance for doubtful non-current receivables	(729)	729				
Total other assets	152,755					
				1,185,009		Total non-current assets
Total assets	¥ 2,744,665	¥ (26,995)	¥ 7,837	¥ 2,725,507		**Total assets**

(¥ in millions)

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	¥ 150,441	¥ 164,217		¥ 314,658		Bonds and borrowings
Trade notes payable	170,551	105,101		275,652		Trade payables
Trade accounts payable	105,101	(105,101)				
Advances received from customers	7,422	(7,422)				
Notes and accounts payable for capital expenditures	11,561	(11,561)				
Accrued payroll costs	47,949	(47,949)				
Accrued expenses	65,349	(65,349)				
		30,242	¥ (18)	30,224	A	Other financial liabilities
Income taxes payable	24,510			24,510		Income taxes payable
		17,290		17,290		Provisions
Other current liabilities	93,068	76,621	547	170,236	F	Other current liabilities
Current portion of long-term debt	164,771	(164,771)				
Total current liabilities	840,723	(8,682)	529	832,570		Total current liabilities
Long-term liabilities:						**Non-current liabilities:**
Long-term debt	500,096	(1,922)		498,174		Bonds and borrowings
		3,309	(125)	3,184	A	Other financial liabilities
Accrued retirement and pension costs	12,857		105	12,962	D	Retirement benefit liabilities
		26,747	8,702	35,449	G	Deferred tax liabilities
Other long-term liabilities	52,267	(46,447)	992	6,812		Other non-current liabilities
Total long-term liabilities	565,220	(18,313)	9,674	556,581		Total non-current liabilities
				1,389,151		**Total liabilities**
Equity:						**Equity:**
Kubota Corporation shareholders' equity:						Equity attributable to owners of the parent:
Common stock	84,100			84,100		Share capital
Capital surplus	85,020			85,020		Share premium
Legal reserve	19,539	(19,539)				
Retained earnings	1,028,323	19,539	(23,478)	1,024,384	H	Retained earnings
Accumulated other comprehensive income	50,418		20,652	71,070	D,E,G	Other components of equity
Treasury stock, at cost	(9,364)			(9,364)		Treasury shares, at cost
Total Kubota Corporation shareholders' equity	1,258,036	—	(2,826)	1,255,210		Total equity attributable to owners of the parent
Non-controlling interests	80,686		460	81,146		Non-controlling interests
Total equity	1,338,722	—	(2,366)	1,336,356		**Total equity**
Total liabilities and equity	¥ 2,744,665	¥ (26,995)	¥ 7,837	¥ 2,725,507		**Total liabilities and equity**

b) Reconciliation of comprehensive income for the nine months ended September 30, 2017

(¥ in millions)

Presentation under U.S.GAAP	U.S.GAAP	Reclassification	Recognition and measurement	IFRS	Note	Presentation under IFRS
Revenues	¥ 1,266,651		¥ 3,718	¥ 1,270,369	F	**Revenue**
Cost of revenues	(898,983)		2,982	(896,001)	B,D,F	**Cost of sales**
Selling, general, and administrative expenses	(222,687)	¥ (911)	(2,469)	(226,067)	D	**Selling, general, and administrative expenses**
Other operating expenses—net	(492)	492				
		1,626		1,626		**Other income**
		(703)		(703)		**Other expenses**
Operating income	144,489	504	4,231	149,224		**Operating profit**
Other income (expenses):						
Interest and dividend income	4,847					
Interest expense	(620)					
Gain on sales of securities—net	8,300					
Foreign exchange gain—net	6,846					
Other—net	(7,005)					
Other income (expenses)—net	12,368	(12,368)				
		19,735		19,735		**Finance income**
		(7,871)	7	(7,864)		**Finance costs**
Income before income taxes and equity in net income of affiliated companies	156,857	—	4,238	161,095		**Profit before income taxes**
Income taxes:						
Current	(54,283)					
Deferred	7,973					
Total income taxes	(46,310)		(1,344)	(47,654)	G	**Income tax expenses**
Equity in net income of affiliated companies	1,636		75	1,711		**Share of profits of investments accounted for using the equity method**
Net income	¥ 112,183	¥ —	¥ 2,969	¥ 115,152		**Profit for the period**

						Profit attributable to:
Net income attributable to Kubota Corporation	¥ 105,341	¥ —	¥ 2,654	¥ 107,995		**Owners of the parent**
Net income attributable to non-controlling interests	6,842	—	315	7,157		**Non-controlling interests**

(¥ in millions)

Presentation under U.S.GAAP	U.S.GAAP	Reclassification	Recognition and measurement	IFRS	Note	Presentation under IFRS
Net income	¥ 112,183	¥ —	¥ 2,969	¥ 115,152		**Profit for the period**
Other comprehensive income (loss), net of tax:						**Other comprehensive income, net of tax**
						Items that will not be reclassified to profit or loss
Pension liability adjustments	590		(603)	(13)	D	Remeasurements of defined benefit pension plans
						Items that may be reclassified to profit or loss
Foreign currency translation adjustments	4,060		119	4,179		Exchange differences on translating foreign operations
Unrealized losses on securities	(1,193)			(1,193)		Unrealized losses on securities
Total other comprehensive income	3,457	—	(484)	2,973		Total other comprehensive income, net of tax
Comprehensive income	¥ 115,640	¥ —	¥ 2,485	¥ 118,125		**Comprehensive income for the period**

						Comprehensive income for the period attributable to:
Comprehensive income attributable to Kubota Corporation	¥ 106,423	¥ —	¥ 2,170	¥ 108,593		**Owners of the parent**
Comprehensive income attributable to non-controlling interests	9,217	—	315	9,532		**Non-controlling interests**

c) Reconciliation of comprehensive income for the three months ended September 30, 2017

(¥ in millions)

Presentation under U.S.GAAP	U.S.GAAP	Reclassification	Recognition and measurement	IFRS	Note	Presentation under IFRS
Revenues	¥ 420,655		¥ 2,710	¥ 423,365	F	**Revenue**
Cost of revenues	(299,663)		491	(299,172)	B,D,F	**Cost of sales**
Selling, general, and administrative expenses	(77,005)	¥ (313)	(85)	(77,403)	D	**Selling, general, and administrative expenses**
Other operating expenses—net	(97)	97				
		2,457		2,457		**Other income**
		(185)		(185)		**Other expenses**
Operating income	43,890	2,056	3,116	49,062		**Operating profit**
Other income (expenses):						
Interest and dividend income	1,132					
Interest expense	(273)					
Gain on sales of securities—net	2,916					
Foreign exchange gain—net	3,533					
Other—net	(1,948)					
Other income (expenses)—net	5,360	(5,360)				
		5,528		5,528		**Finance income**
		(2,224)	2	(2,222)		**Finance costs**
Income before income taxes and equity in net income of affiliated companies	49,250	—	3,118	52,368		**Profit before income taxes**
Income taxes:						
Current	(17,155)					
Deferred	4,236					
Total income taxes	(12,919)		(845)	(13,764)	G	**Income tax expenses**
Equity in net income of affiliated companies	791		19	810		**Share of profits of investments accounted for using the equity method**
Net income	¥ 37,122	¥ —	¥ 2,292	¥ 39,414		**Profit for the period**
						Profit attributable to:
Net income attributable to Kubota Corporation	¥ 34,897	¥ —	¥ 2,094	¥ 36,991		**Owners of the parent**
Net income attributable to non-controlling interests	2,225	—	198	2,423		**Non-controlling interests**

(¥ in millions) (¥ in millions)

Presentation under U.S.GAAP	U.S.GAAP	Reclassification	Recognition and measurement	IFRS	Note	Presentation under IFRS
Net income	¥ 37,122	¥ —	¥ 2,292	¥ 39,414		**Profit for the period**
Other comprehensive income (loss), net of tax:						**Other comprehensive income, net of tax**
						Items that will not be reclassified to profit or loss
Pension liability adjustments	46		(247)	(201)	D	Remeasurements of defined benefit pension plans
						Items that may be reclassified to profit or loss
Foreign currency translation adjustments	14,516		(27)	14,489		Exchange differences on translating foreign operations
Unrealized losses on securities	(2,035)		(1)	(2,036)		Unrealized losses on securities
Total other comprehensive income	12,527	—	(275)	12,252		Total other comprehensive income, net of tax
Comprehensive income	¥ 49,649	¥ —	¥ 2,017	¥ 51,666		**Comprehensive income for the period**

						Comprehensive income for the period attributable to:
Comprehensive income attributable to Kubota Corporation	¥ 45,885	¥ —	¥ 1,819	¥ 47,704		**Owners of the parent**
Comprehensive income attributable to non-controlling interests	3,764	—	198	3,962		**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 statement of financial position.

Therefore, time deposits and derivatives, which were included in other current assets under U.S. GAAP, other investments and long-term trade accounts receivable, which were separately stated under U.S. GAAP, and derivatives, which were included in other assets—other under U.S. GAAP, are all included in 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 in 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.

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

Under U.S. GAAP, when evaluating whether goodwill is impaired, the fair value of the reporting unit including goodwill is compared with its carrying amount. When the fair value of the reporting unit is lower than its carrying amount, the fair value of goodwill is calculated, and if the fair value of goodwill is lower than its carrying amount 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 losses of ¥3,982 million, ¥149 million, and ¥1,439 million were recognized on goodwill, property, plant, and equipment, and intangible assets, respectively, all in the Farm & Industrial Machinery segment.

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

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 (or 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 ¥309 million and other non-current assets decreased by ¥2,334 million at September 30, 2017. Cost of sales increased by ¥1,051 million and ¥434 million and selling, general, and administrative expenses increased by ¥508 million and ¥169 million for the nine months and the three months ended September 30, 2017, respectively.

Remeasurements of the net defined liability (or 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 ¥25,317 million at September 30, 2017.

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 at September 30, 2017.

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 decreased by ¥775 million at September 30, 2017. Revenue increased by ¥7,001 million and ¥1,682 million for the nine months and the three months ended September 30, 2017, respectively.

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

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

As a result, other current assets increased by ¥2,297 million and inventories decreased by ¥1,481 million at September 30, 2017. Revenue decreased by ¥3,283 million and increased by ¥1,028 million and cost of sales decreased by ¥2,101 million and increased by ¥596 million for the nine months and the three months ended September 30, 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 component of equity increased by ¥20,912 million at September 30, 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 increased by ¥209 million at September 30, 2017. Income tax expenses decreased by ¥536 million and ¥244 million for the nine months and the three months ended September 30, 2017, respectively.

H. Retained earnings

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

(¥ in millions)

		September 30, 2017
Capitalization of development costs	¥	4,225
Impairment of goodwill		(4,639)
Post-employment benefit		(27,231)
Exchange differences on translating foreign operations		26,009
Revenue recognition		1,139
Income tax expenses		(21,163)
Others		(1,818)
Effect of the transition on retained earnings	¥	(23,478)

Notes to Reconciliation of Consolidated Statement of Cash Flows for the Nine Months Ended September 30, 2017 and for the Year Ended December 31, 2017.

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

Under 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 November 9, 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 August 2, 2018, the Board of Directors of the Parent Company resolved and paid dividends as follows:

1) Shareholders to Be Paid Dividends
Shareholders of record on June 30, 2018

2) Amount of Dividends
¥16.00 per common share, a total of ¥19,719 million

3) Effective Date of Claim of Payment and Start Date of Payment
September 3, 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]	November 9, 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 third quarter of the 129th fiscal year (from July 1, 2018 to September 30, 2018) were adequate under the Financial Instruments and Exchange Act of Japan.

2. Special Notes

Not applicable.