

# Financial Results

## for the six months ended June 30, 2018



**Shigeru Kimura**

**Director and Senior Managing Executive Officer,  
General Manager of Planning & Control Headquarters**

**August 8, 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. The figures for the six months ended June 30, 2017 and the fiscal year ended December 31, 2017 used in the following analysis were reclassified into the figures in accordance with IFRS.

# Financial Summary

For Earth, For Life  


(Billion yen)	Six months ended June 30, 2018	Six months ended June 30, 2017	Changes		Variance from forecast (Feb. 2018)	
			Amount	%	Amount	%
<b>Revenue</b>	906.2	847.0	+59.2	+7.0	-13.8	-1.5
Domestic	286.5	276.3	+10.1	+3.7	+3.5	+1.2
Overseas	619.7	570.7	+49.0	+8.6	-17.3	-2.7
<b>Operating profit</b>	11.2% 101.1	11.8% 100.2	+1.0	+1.0	-7.9	-7.2
<b>Profit before income taxes*</b>	11.6% 105.2	12.8% 108.7	-3.6	-3.3	-6.8	-6.1
<b>Profit attributable to owners of the parent</b>	7.9% 71.9	8.4% 71.0	+0.9	+1.3	-5.1	-6.6

(Billion yen)	As of June 30, 2018	As of Dec. 31, 2017	Changes	
			Amount	%
<b>Total assets</b>	2,841.2	2,832.4	+8.9	+0.3
<b>Equity attributable to owners of the parent</b>	1,308.2	1,291.1	+17.1	+1.3

\* Gain (loss) on sales of securities is no longer recorded in the consolidated statement of profit or loss from the fiscal year ending December 31, 2018 due to the adoption of IFRS 9. For your information, the financial results for the six months ended June 30, 2017 included gain on sales of securities of 5.4 billion yen.

# Revenue by Reportable Segment

For Earth, For Life  
Kubota

( Billion yen )	Six months ended June 30, 2018	Six months ended June 30, 2017	Changes	
			Amount	%
<b>Farm &amp; Industrial Machinery (Machinery)</b>	<b>751.0</b>	<b>697.7</b>	<b>+53.3</b>	<b>+7.6</b>
Domestic	155.9	147.1	+8.8	+6.0
Overseas	595.1	550.7	+44.4	+8.1
<b>Water &amp; Environment (Water)</b>	<b>140.4</b>	<b>134.4</b>	<b>+6.0</b>	<b>+4.5</b>
Domestic	115.9	114.5	+1.4	+1.2
Overseas	24.5	19.9	+4.6	+23.2
<b>Other</b>	<b>14.8</b>	<b>14.9</b>	<b>-0.1</b>	<b>-0.5</b>
Domestic	14.6	14.7	-0.1	-0.7
Overseas	0.2	0.2	+0.0	+12.5
<b>Total revenue</b>	<b>906.2</b>	<b>847.0</b>	<b>+59.2</b>	<b>+7.0</b>
<b>Domestic revenue</b>	<b>286.5</b>	<b>276.3</b>	<b>+10.1</b>	<b>+3.7</b>
<b>Overseas revenue</b>	<b>619.7</b>	<b>570.7</b>	<b>+49.0</b>	<b>+8.6</b>

For reference: Changes excluding the effects of fluctuation in exchange [+8.0 billion yen]  
>Overseas revenue in Machinery increased by 7%. Total overseas revenue increased by 7%.

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

## Machinery: +53.3 billion yen (Domestic: +8.8, Overseas: +44.4)

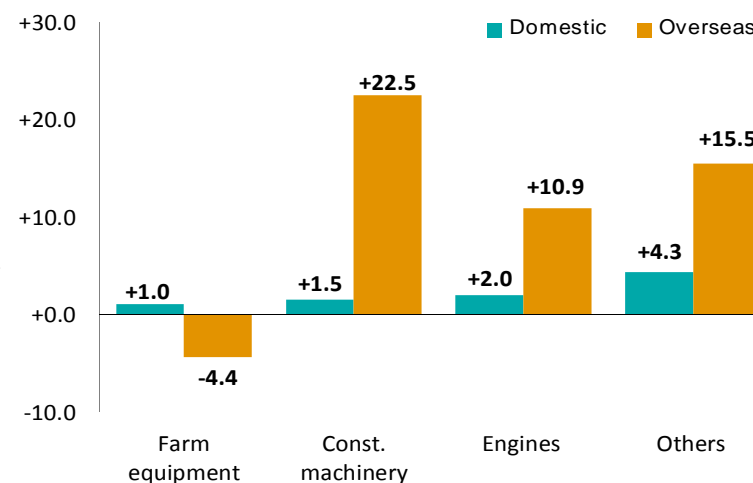
### Domestic

- Sales of farm machinery increased. Sales of const. machinery and engines also increased due to strong demand for the construction and industrial machinery.

### Overseas

- Sales of tractors increased in the major region such as North America, Europe, and Thailand.
- Total sales of combines and rice transplanters in China decreased significantly due to negative effect from delayed announcement of the government subsidy budget for purchasers of farm equipment and lower rice prices.
- Sales of const. machinery was strong in each region such as North America, Europe, and China.
- Sales of engines increased significantly in North America and China.

Changes in revenue by product (Billion yen)



## Water: +6.0 billion yen (Domestic: +1.4, Overseas: +4.6)

### Domestic

With respect to pipe-related products, sales from pumps and construction business increased, while sales of ductile iron pipes decreased. Sales of environment-related products stayed at the same level as the prior year. With respect to social infrastructure-related products, sales of industrial castings and steel pipes for civil engineering work (piles) increased.

### Overseas

With respect to pipe-related products, sales of ductile iron pipes to the Middle East and pumps increased. With respect to environment-related products, sales of wastewater treatment plants (Johkasou) increased. Sales of social infrastructure-related products stayed at the same level as the prior year.

# Operating Profit

For Earth, For Life  
Kubota

( Billion yen )	Six months ended June 30, 2018		Six months ended June 30, 2017		Changes	
	Amount	%	Amount	%	Amount	%
<b>Operating profit</b>	101.1	11.2	100.2	11.8	+1.0	+1.0

## Factors affecting operating profit (YoY change +1.0 billion yen)

<b>1.Fluctuation in exchange rates</b>	US\$ (112→109) Euro (122→132) Other currencies	±0 billion yen +4.0 billion yen +2.0 billion yen	} <b>+6.0 billion yen</b>
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<b>2.Foreign exchange gain/loss</b>			<b>-3.1 billion yen</b>
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<b>3.Material</b>	Machinery Water	-4.0 billion yen -2.5 billion yen	} <b>-6.5 billion yen</b>
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<b>4.Change in sales incentive ratio</b>	U.S. : -3.8 billion yen, China: -1.0 billion yen etc.		<b>-5.4 billion yen</b>
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<b>5.Personnel expenses</b>	Cost of goods sold SG&A expenses	-0.6 billion yen -2.1 billion yen	} <b>-2.7 billion yen</b>
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<b>6.Impact of increased sales</b>			<b>+18.0 billion yen</b>
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<b>7.Other</b>			<b>-5.3 billion yen</b>
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# Operating Profit by Reportable Segment

For Earth, For Life  
Kubota

## Operating profit excluding specific items

( Billion yen )		Six months ended June 30, 2018			Six months ended June 30, 2017			Changes	Changes (Adjusted)
		Operating profit	Specific items	Adjusted operating profit = -	Operating profit	Specific items	Adjusted operating profit = -		
<b>Machinery</b>	Revenue	751.0		751.0	697.7		697.7	+53.3	+53.3
	Operating profit	108.7	-	108.7	101.8	-	101.8	+6.9	+6.9
	OP margin	14.5%		14.5%	14.6%		14.6%	-0.1P	-0.1P
<b>Water</b>	Revenue	140.4		140.4	134.4		134.4	+6.0	+6.0
	Operating profit	9.1	-	9.1	11.8	-	11.8	-2.7	-2.7
	OP margin	6.5%		6.5%	8.8%		8.8%	-2.3P	-2.3P
<b>Other</b>	Revenue	14.8		14.8	14.9		14.9	-0.1	-0.1
	Operating profit	1.1	-	1.1	1.5	-	1.5	-0.4	-0.4
	OP margin	7.5%		7.5%	10.1%		10.1%	-2.5P	-2.5P
<b>Adjustment</b>	Operating profit	-17.8	-	-17.8	-15.0	-	-15.0	-2.8	-2.8
<b>Total</b>	Revenue	906.2		906.2	847.0		847.0	+59.2	+59.2
	Operating profit	101.1	-	101.1	100.2	-	100.2	+1.0	+1.0
	OP margin	11.2%		11.2%	11.8%		11.8%	-0.7P	-0.7P

## Finance Income/ Finance Costs (Net)

For Earth, For Life  


( Billion yen )	Six months ended June 30, 2018	Six months ended June 30, 2017	Changes
			Amount
Finance income/ finance costs (-)	4.0	8.6	-4.5
Interests and dividends	3.6	3.4	+0.2
Gain on sales of securities *	-	5.4	-5.4
Other	0.4	-0.2	+0.6

\* Gain (loss) on sales of securities is no longer recorded in the consolidated statement of profit or loss from the fiscal year ending December 31, 2018 due to the adoption of IFRS 9.



# Profit Before Income Taxes/ Profit for the Period

For Earth, For Life  
Kubota

( Billion yen )	Six months ended June 30, 2018		Six months ended June 30, 2017		Changes	
	Amount	%	Amount	%	Amount	%
Profit before income taxes	105.2	11.6	108.7	12.8	-3.6	-3.3
Income tax expenses	-28.0		-33.9		+5.9	
(Effective tax rate)	(26.6%)		(31.2%)			
Share of profits of investments accounted for using the equity method	0.9		0.9		-0.0	
Profit for the period	78.1	8.6	75.7	8.9	+2.3	+3.1

## Profit attributable to:

Owners of the parent	71.9	7.9	71.0	8.4	+0.9	+1.3
Non-controlling interests	6.1	0.7	4.7	0.5	+1.4	+29.5

		Year ending Dec. 31, 2018	Year ended Dec. 31, 2017	Changes
Dividend per common share	Interim	16 yen	15 yen	+1 yen
	Year-end	(Undecided)	17 yen	-
	Total	(Undecided)	32 yen	-

**Payout ratio: 30% as a target    Shareholder return ratio: over 30%**

We established the program of purchasing own shares not exceeding 10 billion yen (Term of validity: From April 27, 2018 to December 19, 2018).

# Statement of Financial Position (Assets)

For Earth, For Life  
Kubota

( Billion yen )	As of June 30, 2018	As of Dec. 31, 2017	Changes	Changes ex the effects of fluctuation in exchange
<b>Current assets</b>	<b>1,626.7</b>	<b>1,608.4</b>	<b>+18.3</b>	
Cash and cash equivalents	251.8	230.7	+21.1	
Trade receivables	627.7	639.1	-11.3	+40.0
Finance receivables	257.0	250.7	+6.3	
Inventories	382.9	358.9	+24.1	+36.0
Other	107.3	129.1	-21.8	
<b>Non-current assets</b>	<b>1,214.5</b>	<b>1,223.9</b>	<b>-9.4</b>	
Finance receivables	576.2	559.5	+16.7	
Other	638.3	664.5	-26.1	
<b>Total assets</b>	<b>2,841.2</b>	<b>2,832.4</b>	<b>+8.9</b>	
<b>Total finance receivables</b>	<b>833.1</b>	<b>810.2</b>	<b>+23.0</b>	<b>+48.0</b>

< Reference > Foreign exchange rate at the end of the term (yen)

U.S. dollar	111	113	-2
Euro	128	135	-7

# Statement of Financial Position (Liabilities)

For Earth, For Life  


( Billion yen )	As of June 30, 2018	As of Dec. 31, 2017	Changes	Changes ex the effects of fluctuation in exchange
<b>Current liabilities</b>	895.4	917.5	-22.0	
Bonds and borrowings	328.5	363.5	-35.0	
Trade payables	299.4	286.1	+13.2	
Other	267.6	267.8	-0.3	
<b>Non-current liabilities</b>	556.1	539.3	+16.8	
Bonds and borrowings	499.5	470.6	+28.9	
Retirement benefit liabilities	12.5	12.9	-0.4	
Other	44.0	55.8	-11.8	
<b>Total liabilities</b>	1,451.6	1,456.8	-5.2	
<b>Total interest-bearing debt</b>	828.1	834.1	-6.0	+15.0
<b>Net debt equity ratio</b>	0.44	0.47	-0.03	
<b>Net debt equity ratio (ex financial services)</b>	-0.18	-0.14	-0.04	

# Statement of Financial Position (Equity)

For Earth, For Life  


( Billion yen )	As of June 30, 2018	As of Dec. 31, 2017	Changes
<b>Equity attributable to owners of the parent</b>	1,308.2	1,291.1	+17.1
Share capital	84.1	84.1	+0.0
Share premium	86.2	85.0	+1.1
Retained earnings	1,094.2	1,040.2	+54.0
Other components of equity	46.9	81.9	-35.1
Exchange differences on translating foreign operations	-16.5	5.7	-22.2
Net changes on financial assets measured at FVTOCI	63.4	76.3	-12.9
Treasury shares, at cost	-3.2	-0.2	-3.0
<b>Non-controlling interests</b>	81.5	84.5	-3.0
<b>Total equity</b>	1,389.7	1,375.6	+14.1
<b>Ratio of equity attributable to owners of the parent to total assets</b>	46.0%	45.6%	+0.4point

# Statement of Cash Flows

For Earth, For Life  


( Billion yen )	Six months ended June 30, 2018	Six months ended June 30, 2017	Changes
Net cash provided by operating activities	58.4	64.1	-5.7
Net cash used in investing activities	-16.4	-8.9	-7.5
Acquisition of property, plant, and equipment and intangible assets	-23.8	-31.5	+7.8
Other	7.3	22.6	-15.3
Net cash used in financing activities	-17.1	-33.9	+16.8
Effect of exchange rate changes on cash and cash equivalents	-3.8	0.0	-3.8
Net increase in cash and cash equivalents	21.1	21.3	-0.3
<b>Free cash flow</b>	<b>34.6</b>	<b>32.6</b>	<b>+2.1</b>

# Financial Services <Reference (unaudited/IFRS)>

For Earth, For Life  
Kubota

## Statement of Financial Position

( Billion yen )	As of June 30, 2018		As of Dec. 31, 2017	
	Financial services	Equipment operations	Financial services	Equipment operations
<b>Total assets</b>	<b>1,028.2</b>	<b>1,898.7</b>	<b>996.7</b>	<b>1,920.1</b>
Cash and cash equivalents	13.9	237.9	12.6	218.1
Trade receivables	32.4	597.2	29.1	610.8
Finance receivables	833.1	-	810.2	-
Inventories	-	382.9	-	358.9
Property, plant, and equipment	0.4	314.8	0.5	321.3
Other	148.4	365.8	144.3	411.1
<b>Total liabilities</b>	<b>873.5</b>	<b>648.3</b>	<b>851.5</b>	<b>674.4</b>
Total interest-bearing debt	824.7	29.9	807.1	51.4
Other	48.7	618.4	44.3	622.9
<b>Total equity</b>	<b>154.8</b>	<b>1,250.3</b>	<b>145.3</b>	<b>1,245.7</b>

## Statement of Profit or Loss (Financial Services)

( Billion yen )	Six months ended	Six months ended	Changes	
	June 30, 2018	June 30, 2017	Amount	%
	Amount	Amount		
<b>Revenue</b>	<b>31.5</b>	<b>28.3</b>	<b>+3.2</b>	<b>+11.3</b>
<b>Operating profit</b>	45.2% <b>14.2</b>	42.3% <b>12.0</b>	<b>+2.2</b>	<b>+18.7</b>
<b>Profit attributable to owners of the parent</b>	29.0% <b>9.1</b>	25.4% <b>7.2</b>	<b>+2.0</b>	<b>+27.1</b>

# Recent Developments In Machinery

# Recent Developments in Machinery (North America)

**U.S.**

**Demand for compact tractors, const. machinery and engines was strong along with favorable economy. The agricultural market showed signs of recovery as well.**

## Tractors / RS

Sales of compact tractors increased due to the growth of the market along with favorable economy and a strong housing market. Sales of mid-scale tractors increased as well because we improved our market share and the market showed a trend of bottoming out.

## Const. machinery/ RS

Sales of mini-excavators and compact track loaders increased significantly along with the strong housing and construction market. Skid steer loaders increased as well. We also increased market share of all types of equipment.

## Engines / WS

Sales increased due to favorable demand for the construction and industrial machinery along with tax cut policy and strong economy.

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.
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%	+11.6%	-	-	+8.3%	-
	40-120hp	-2.1%	+6.5%	-	-	+3.0%	-
	0-120hp	+0.4%	+10.3%	-	-	+6.8%	-

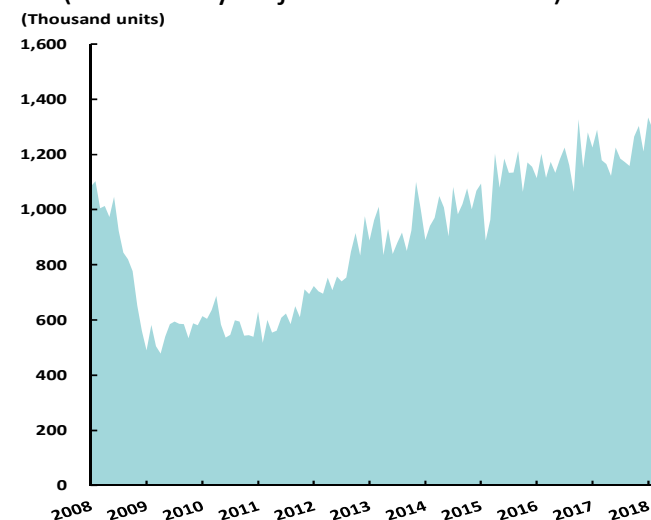
Source: AEM (Association of Equipment Manufacturers)

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.
2017		+12.2%	+12.4%	+12.0%	+19.4%	+12.3%	+14.0%
2018		+5.9%	+15.3%	-	-	+11.6%	-

Source: AEM (Association of Equipment Manufacturers)

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



Source: U.S. Census Bureau

\* RS: Retail sales, WS: Wholesale



# Recent Developments in Machinery (Europe)

## Europe

The market of construction and industrial machinery continued to be strong and demand for construction machinery and engines remained solid as well. Demand for tractors was slow mainly due to delays in the high demand season during the spring along with low temperature.

### Tractors / RS

Sales of compact tractors was slow due to delay in the high demand season during the spring along with low temperature. Sales of mid-scale tractors increased mainly due to a positive effect from new models introduced in the prior year.

### Implements / WS

Recovery of sales of tilling-related products continued from the prior year despite the negative effect of inclement weather. Sales of haying-related products increased due to recovery of prices in raw milk in the prior year.

### Const. machinery / RS

Sales increased due to increased demand in South and East Europe and Benelux, influenced by favorable economy and strong demand for construction mainly in urban areas. In addition, sales increased in major markets such as France, Germany, and the UK due to expanding market shares.

### Engines / WS

Sales increased due to the strong market of the construction and industrial machinery, and the rush demand resulting from new engine emissions regulations (Stage V).

# Recent Developments in Machinery (Asia)

## Thailand

Demand for tractors recovered due to a rise in prices of rice and cassava. In Myanmar, demand for tractors and combines expanded due to an increase in contractors for agriculture along with shortage of labors and recovery of rice prices.

### Tractors / RS

Sales of tractors used in rice cropping-market increased mainly due to improved jasmine rice prices. With respect to dry-field crop-market, sales increased due to recovery of sales for cassava farmers, while sales for sugar cane farmers was slow.

### Combines / RS

Sales decreased because the negative effect from the flood in the prior year around northeastern part remained.

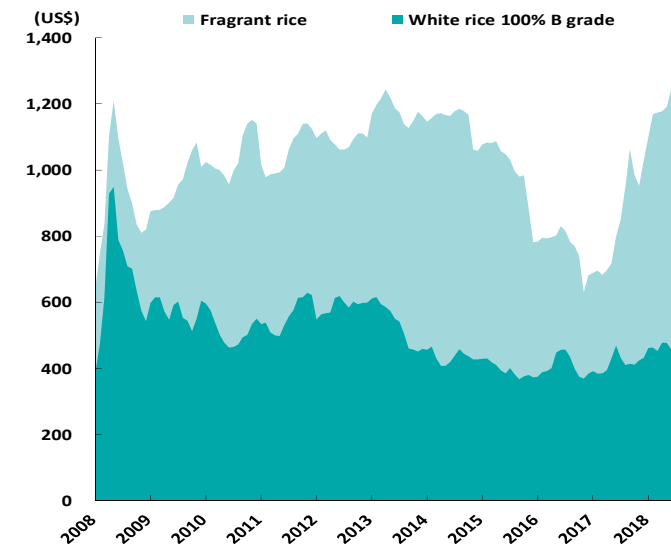
### Const. machinery / RS

Sales increased due to expanded demand along with shortage of labors in urban areas.

### Exports to neighboring countries / WS

Sales in Cambodia decreased due to deterioration of dealer's profitability along with the Baht appreciation, while demand for mechanization continued to be steady. In Myanmar, sales increased significantly due to shortage of labors and recovery of rice prices.

Export price of Thai rice (US\$/t)



Source: USDA, Thai Rice Exporters Association

# Recent Developments in Machinery (Asia)

## China

Budgeted government subsidies for purchasers of farm equipment remained unchanged from the prior year. Demand stagnated significantly mainly due to delayed announcement of government policy for the subsidies and stagnation of rice prices. Demand for farm equipment continued to move to products with a high processing capacity. Demand for const. machinery and engines continued to be solid due to strong demand for the construction.

### Tractors / RS

Sales decreased due to shrink in market volume of low hp range tractors, which is the range we cover, resulting from transitions in demand to high hp tractors.

### Combines / RS

Sales decreased due to severer competition among contractors and transitions in demand to equipment with a high processing capacity in addition to delayed announcement of government policy for the subsidies. On the other hand, sales of wheel drive combines increased steadily.

### Rice transplanters / RS

Sales decreased due to adverse reaction from concentrated demand in prior year, stagnation of rice prices, and decline in used equipment.

### Const. machinery / RS

Sales increased due to One Belt and One Road initiative, strong demand for construction of urban infrastructure, and shortage of labors.

### Engines / WS

Sales continued to increase due to high demand for construction and industrial machinery.

Budgeted government subsidies for purchasers of farm equipment

(Billion RMB)		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Subsidies	1st stage	-	-	-	-	11.0	13.0	20.0	17.0	21.0	22.8	18.6	18.6
	Full year	2.0	4.0	13.0	15.5	17.5	21.5	21.8	23.8	23.8	23.7	18.6	18.6

# Recent Developments in Machinery (Japan)

## Japan

Demand for farm equipment in value remained the same level as the prior year due to increasing demand for higher hp equipment. Demand for const. machinery remained solid due to high motivations for investment by rental companies. Demand for engines remained strong due to strong demand for construction and industrial machinery in the domestic and overseas market.

### Farm machinery / RS

Sales of tractors and combines increased due to strong sales of newly introduced products designed for large farmers and products manufactured before tightening of emission regulations. Sales of rice transplanters increased due to sales promotion of rice transplanters with function to keep moving straight. Market shares of all 3 products increased from the prior year.

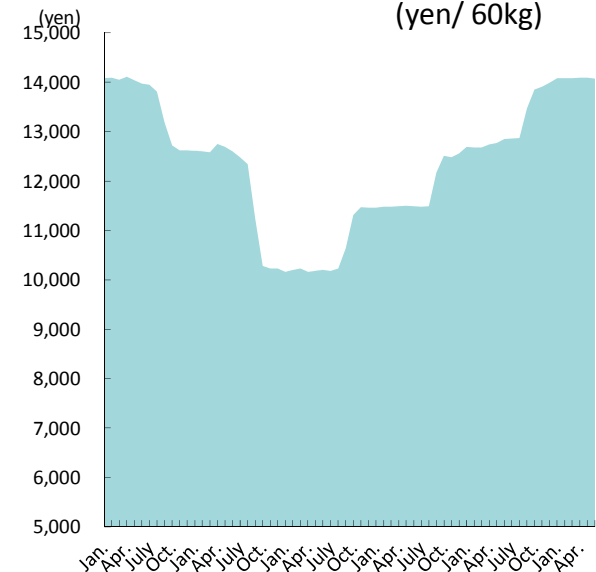
### Const. machinery / RS

Sales increased due to adverse reaction from concentrated demand for large-scale equipment in the prior year before tightening of engine emission regulations for 75hp and over in addition to strong demand for construction.

### Engines / WS

Sales increased due to strong domestic market of construction and industrial machinery. Demand for engines used for some products sold to overseas market by OEMs was strong as well due to favorable market conditions in North America.

Producers' price of Japanese rice (yen/ 60kg)



Source: Ministry of Agriculture, Forestry and Fisheries

Forecast

# Anticipated Operating Results

For Earth, For Life  


( Billion yen )	Year ending Dec. 31, 2018 (Forecast)	Year ended Dec. 31, 2017 (Actual)	Changes		Original forecast (Feb. 2018)
			Amount	%	
<b>Revenue</b>	<b>1,820.0</b>	<b>1,751.0</b>	<b>+69.0</b>	<b>+3.9</b>	<b>1,820.0</b>
Domestic	586.0	563.8	+22.2	+3.9	575.0
Overseas	1,234.0	1,187.2	+46.8	+3.9	1,245.0
<b>Operating profit</b>	11.2% <b>204.0</b>	11.4% <b>200.0</b>	<b>+4.0</b>	<b>+2.0</b>	11.7% <b>213.0</b>
<b>Profit before income taxes *</b>	11.5% <b>210.0</b>	12.2% <b>214.0</b>	<b>-4.0</b>	<b>-1.9</b>	12.0% <b>219.0</b>
<b>Profit attributable to owners of the parent</b>	8.0% <b>145.0</b>	7.7% <b>134.2</b>	<b>+10.8</b>	<b>+8.1</b>	8.3% <b>151.0</b>

\* Gain (loss) on sales of securities is no longer recorded in the consolidated statement of profit or loss from the fiscal year ending December 31, 2018 due to the adoption of IFRS 9. For your information, the financial results for the year ended December 31, 2017 included gain on sales of securities of 8.4 billion yen.

# Anticipated Revenue by Reportable Segment

For Earth, For Life  
Kubota

( Billion yen )	Year ending Dec. 31, 2018 (Forecast)	Year ended Dec. 31, 2017 (Actual)	Changes		Original forecast (Feb. 2018)	Changes	
			Amount	%		Amount	%
<b>Machinery</b>	<b>1,488.0</b>	<b>1,436.5</b>	<b>+51.5</b>	<b>+3.6</b>	<b>1,497.0</b>	<b>-9.0</b>	<b>-0.6</b>
Domestic	308.0	294.5	+13.5	+4.6	297.0	+11.0	+3.7
Overseas	1,180.0	1,142.0	+38.0	+3.3	1,200.0	-20.0	-1.7
<b>Water</b>	<b>304.0</b>	<b>285.6</b>	<b>+18.4</b>	<b>+6.4</b>	<b>295.0</b>	<b>+9.0</b>	<b>+3.1</b>
Domestic	250.5	240.7	+9.8	+4.1	250.0	+0.5	+0.2
Overseas	53.5	44.9	+8.6	+19.2	45.0	+8.5	+18.9
<b>Other</b>	<b>28.0</b>	<b>28.9</b>	<b>-0.9</b>	<b>-3.1</b>	<b>28.0</b>	<b>-</b>	<b>-</b>
Domestic	27.5	28.6	-1.1	-3.8	28.0	-0.5	-1.8
Overseas	0.5	0.3	+0.2	+66.7	-	+0.5	-
<b>Total revenue</b>	<b>1,820.0</b>	<b>1,751.0</b>	<b>+69.0</b>	<b>+3.9</b>	<b>1,820.0</b>	<b>-</b>	<b>-</b>
<b>Domestic revenue</b>	<b>586.0</b>	<b>563.8</b>	<b>+22.2</b>	<b>+3.9</b>	<b>575.0</b>	<b>+11.0</b>	<b>+1.9</b>
<b>Overseas revenue</b>	<b>1,234.0</b>	<b>1,187.2</b>	<b>+46.8</b>	<b>+3.9</b>	<b>1,245.0</b>	<b>-11.0</b>	<b>-0.9</b>

For reference: Changes excluding the effects of fluctuation in exchange [-2.0 billion yen]  
 >Overseas revenue in Machinery is forecast to increase by 4%. Total overseas revenue is forecast to increase by 4%.

# Anticipated Operating Profit

For Earth, For Life  
Kubota

( Billion yen )	Year ending Dec. 31, 2018 (Forecast)		Year ended Dec. 31, 2017 (Actual)		Changes	
	Amount	%	Amount	%	Amount	%
<b>Operating profit</b>	204.0	11.2	200.0	11.4	+4.0	+2.0

## Factors affecting operating profit (YoY change +4.0 billion yen)

<b>1.Fluctuation in exchange rates</b>	US\$ (112→110) Euro (127→130) Other currencies	-3.0 billion yen +6.0 billion yen +2.0 billion yen	<b>+5.0 billion yen</b>
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<b>2.Foreign exchange gain/loss</b>			<b>-2.5 billion yen</b>
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<b>3.Material</b>	Machinery Water	-8.0 billion yen -5.0 billion yen	<b>-13.0 billion yen</b>
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<b>4.Change in sales incentive ratio</b>	U.S. : -6.5 billion yen, China: -2.0 billion yen etc.		<b>-7.0 billion yen</b>
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<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>
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<b>6.Specific items</b>	Claim payments related to the hurricanes in U.S. (in prior year)		<b>+0.7 billion yen</b>
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<b>7.Impact of increased sales</b>			<b>+25.0 billion yen</b>
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<b>8.Other</b>			<b>-0.2 billion yen</b>
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# Anticipated Operating Profit by Reportable Segment

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## Anticipated operating profit excluding specific items

( Billion yen )		Year ending Dec. 31, 2018 (Forecast)			Year ended Dec. 31, 2017 (Actual)			Changes	Changes (Adjusted)
		Operating profit	Specific items	Adjusted operating profit = -	Operating profit	Specific items	Adjusted operating profit = -		
<b>Machinery</b>	Revenue	1,488.0		1,488.0	1,436.5		1,436.5	+51.5	+51.5
	Operating profit	209.0	-	209.0	200.7	-0.7	201.4	+8.3	+7.6
	OP margin	14.0%		14.0%	14.0%		14.0%	+0.1P	+0.0P
<b>Water</b>	Revenue	304.0		304.0	285.6		285.6	+18.4	+18.4
	Operating profit	25.0	-	25.0	24.4	-	24.4	+0.6	+0.6
	OP margin	8.2%		8.2%	8.5%		8.5%	-0.3P	-0.3P
<b>Other</b>	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
<b>Adjustment</b>	Operating profit	-32.0	-	-32.0	-28.2	-	-28.2	-3.8	-3.8
<b>Total</b>	Revenue	1,820.0		1,820.0	1,751.0		1,751.0	+69.0	+69.0
	Operating profit	204.0	-	204.0	200.0	-0.7	200.7	+4.0	+3.3
	OP margin	11.2%		11.2%	11.4%		11.5%	-0.2P	-0.3P

# Exchange Rate, CAPEX, Depreciation and R&D Expenses

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## Anticipated foreign exchange rate

			Year ending Dec. 31, 2018			Year ended Dec. 31, 2017
			(Forecast)	(Original forecast)	(Actual)	(Actual)
¥/US\$		1st Half (Jan.-Jun.)	-	110	109	112
		2nd half (Jul.-Dec.)	111	110	-	112
		Full year average (Jan.-Dec.)	110	110	-	112
¥/Euro		1st Half (Jan.-Jun.)	-	130	132	122
		2nd half (Jul.-Dec.)	128	130	-	132
		Full year average (Jan.-Dec.)	130	130	-	127

## CAPEX, Depreciation and R&D expenses

(Billion yen)	Year ending Dec. 31, 2018		Year ended Dec. 31, 2017
	(Forecast)	(Original forecast)	(Actual)
Capital expenditures	70.0	70.0	52.2
Depreciation and amortization	53.0	53.0	45.1
R&D expenses	50.0	48.0	43.4

## 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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