For Earth, For Life
Kubota

Financial Results
for the year ended December 31, 2017

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Financial Summary

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(Billion yen)	Year ended Dec. 31, 2017	Year ended Dec. 31, 2016	Changes		Variance from revised forecast (Nov. 2017)	
			Amount	%	Amount	%
Revenues	1,751.5	1,596.1	+155.4	+9.7	+51.5	+3.0
Domestic	564.2	551.4	+12.8	+2.3	-0.8	-0.1
Overseas	1,187.3	1,044.7	+142.7	+13.7	+52.3	+4.6
Operating income	11.4% 198.8	11.8% 188.8	+10.0	+5.3	+0.8	+0.4
Income before income taxes *	12.2% 212.9	12.3% 197.0	+15.9	+8.1	+2.9	+1.4
Net income attributable to Kubota Corp.	7.8% 136.4	8.3% 132.5	+4.0	+3.0	-3.6	-2.5

(Billion yen)	As of Dec. 31, 2017	As of Dec. 31, 2016	Changes	
			Amount	%
Total assets	2,853.9	2,670.6	+183.3	+6.9
Shareholders' equity	1,301.3	1,198.8	+102.6	+8.6

* Income before income taxes and equity in net income of affiliated companies

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- Operating margin decreased by 0.4%, and net margin decreased by 0.5%.
- The reversal of deferred tax assets in preparation for federal corporate tax rate cut in the United States effected a decrease in net margin.
  - Income taxes increased by 7.1 billion yen due to this changes.
- Variance from revised forecast
  - Total revenues increased mainly due to strong sales in Farm and Industrial Machinery overseas, especially in North America and Europe.
  - Net income attributable to Kubota Corporation fell short of the revised forecast due to the reversal of deferred tax assets in preparation for federal corporate tax rate cut in the United States.

Revenues by Reportable Segment

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(Billion yen)		Year ended Dec. 31, 2017	Year ended Dec. 31, 2016	Changes Amount	Changes %
Farm & Industrial Machinery (Machinery)		1,436.6	1,272.1	+164.4	+12.9
	Domestic	294.5	281.5	+13.0	+4.6
	Overseas	1,142.1	990.7	+151.4	+15.3
Water & Environment (Water)		286.1	294.5	-8.4	-2.9
	Domestic	241.1	240.9	+0.3	+0.1
	Overseas	45.0	53.7	-8.7	-16.2
Other		28.9	29.4	-0.6	-1.9
	Domestic	28.6	29.1	-0.5	-1.8
	Overseas	0.3	0.3	-0.0	-6.5
Total revenues		1,751.5	1,596.1	+155.4	+9.7
Domestic revenues		564.2	551.4	+12.8	+2.3
Overseas revenues		1,187.3	1,044.7	+142.7	+13.7

For reference: Changes excluding the effects of fluctuation in exchange
[Machinery: +39.0 billion yen, Total: +40.0 billion yen]
and an acquisition of Great Plains Manufacturing, Inc.(hereinafter, “GPM”) [+21.7 billion yen].
>Overseas revenues in Machinery increased by 9%. Total overseas revenues increased by 8%.

- Overseas revenues in Farm and Industrial Machinery grew significantly.

Revenues by Reportable Segment (Year-on-Year)

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Machinery: +164.4 billion yen (Domestic: +13.0, Overseas: +151.4)

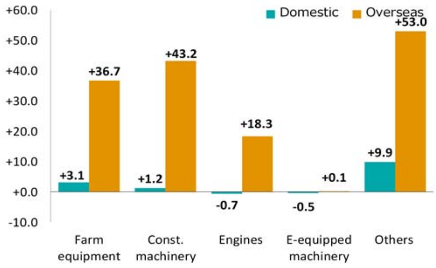
Domestic

- Sales of tractors recovered from stagnating sales caused by stronger emission regulations. Sales of construction machinery and agricultural-related products also increased.

Overseas

- Sales of compact tractors in North America increased due to the expanding market along with steady economic conditions.
- Sales of combine harvesters were weak. On the other hand, sales of rice transplanters increased significantly in China.
- Total sales of construction machinery and engines rose significantly in each region such as North America, Europe, and China.

■ Changes in revenues by product (Billion yen)



Water: -8.4 billion yen (Domestic: +0.3, Overseas: -8.7)

Domestic

Revenues from pumps, the construction businesses, and the wastewater treatment equipment and plant decreased.
On the other hand, sales of spiral-welded steel pipes (piles) for civil engineering works, and the sales of plastic pipes increased.

Overseas

Export sales of ductile iron pipes to the Middle East decreased sharply. Revenues from environment-related products and social infrastructure-related products decreased as well.

①Domestic revenues in Farm & Industrial Machinery
- Sales of tractors recovered from stagnations, and the revenues from farm equipment increased by 3.1 billion yen （+3%）.
- Sales of construction machinery also increased by 1.2 billion yen (+4%) due to the improved market condition over the second half of the year.
- Engines：▲0.7 billion yen（▲5%）, Others：+9.9 billion yen （+9%）
  - Others include agricultural-related products, services, and so on.

②Overseas revenues in Farm & Industrial Machinery
- Farm equipment：+36.7 billion yen （+7%）, Construction machinery：+43.2 billion yen （+24%）, Engines：+18.3 billion yen （+18%）, Others：+53.0 billion yen （+29%）
- Increase in Others included the positive effect of acquisition of Great Plains Manufacturing, Inc. of 21.7 billion yen.
- Revenues of tractors included in Farm equipment increased by 33.9 billion yen（+8%）.
  - In North America, agricultural market was weak, but the market of compact tractors for wealthy individuals was strong. Revenues of compact tractors increased significantly due to strong whole sales caused by a decrease in inventories held by dealers in 2016.
  - Revenues in Thailand increased because the strong whole sales over the first half of the year supported by cancelation of the restrictions on water intake compensated for the stagnating sales in the second half of the year due to severe rain.
- Revenues of combines and Rice transplanters included in Farm equipment increased by 2.8 billion yen（+2%）.
  - In China, sales of combine harvesters were weak due to the reduction in budgeted government subsidies and demand shift to larger machines.
  - In China, sales of rice transplanters increased significantly due to growing demand and share increase.
- Revenues of construction machinery increased in each region of North America, Europe and Asia outside Japan.
  - In North America, strong sales of mini excavators and compact track loaders compensated for reactionary decline in whole sales of skid steer loaders relating to the inventory replenishment in 2016.
  - Revenues in Europe remained strong in each country, such as France, Germany and the U.K., supported by expanded demand for housing and construction.
  - Revenues in China increased significantly by a rapid recovery in demand, as well as the rebound from the temporary suspension of shipments caused by the delay of acquisition of certification for emission regulations in 2016.
- Revenues of engines also increased in all the main markets such as North America, Europe and China, and the shipment volume registered a record high.
- Overseas revenues of Farm and Industrial Machinery increased in every region of North America, Europe, Asia outside Japan, and Other areas.

③Water & Environment
- Domestic revenues increased by 0.3 billion yen（+0.1%）.
  - Revenues from pipe-related products decreased slightly due to lower revenues from the pumps and the construction business.
  - With regard to environment-related products, sales of wastewater treatment equipment and plant decreased.
  - With regard to social infrastructure-related products, sales of spiral-welded steel pipes (piles) for civil engineering works increased significantly due to expanded construction market.
- Overseas revenues decreased by 8.7 billion yen（▲16%）.
  - Export sales of ductile iron pipes to the Middle East decreased sharply on the negative effects of lower crude oil prices.

Operating Income

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(Billion yen)	Year ended Dec. 31, 2017		Year ended Dec. 31, 2016		Changes	
	Amount	%	Amount	%	Amount	%
Operating income	198.8	11.4	188.8	11.8	+10.0	+5.3

Factors affecting operating income (YoY change +10.0 billion yen)

Factor	Details		Total
1.Fluctuation in exchange rates	US$ (109→112) Euro (120→127) Other currencies	-1.0 billion yen ±0.0 billion yen +4.0 billion yen	**+3.0** billion yen
2.Material	Machinery Water	-2.0 billion yen -3.5 billion yen	**-5.5** billion yen
3.Change in Sales incentive ratio	U.S. : -6.7 billion yen, China: +3.8 billion yen etc.		**-3.9** billion yen
4.Personnel expenses (Excluding GPM)	Cost of goods sold SG&A expenses	+0.9 billion yen -4.0 billion yen	**-3.1** billion yen
5.Specific items	Change in depreciation method Amortization of valuation difference between the amount paid and fair market value of net assets of GPM Claim payments related to the hurricanes in U.S.	+1.5 billion yen -0.9 billion yen -0.7 billion yen	**-0.1** billion yen
6.Impact of increased sales			**+32.0** billion yen
7.Other			**-12.4** billion yen

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- Fluctuation in exchange rates increased operating income by 3.0 billion yen.
  - Yen was weak against both US dollar and Euro, but the fluctuation in exchange rate of US dollar reduced operating income slightly and that of Euro had no positive impact on operating income, because the negative impact of strong yen in the prior year was deferred to FY2017 due to timing difference between shipment from Kubota Corporation and the whole sales by the overseas subsidiaries.
- Material cost reduced operating income by 5.5 billion yen
  - The effect of rising prices of steel material, steel scrap, and resin exceeded cost improvements.
- Change in sales incentive ratio reduced operating income by 3.9 billion yen.
  - In North America, sales incentive ratio rose because we can’t help but re-enhance sales incentive program, which we weakened once, in the sever competition.
  - In China, sales incentive ratio declined sharply due to the rebound from unusually strong incentive program related to the delay of acquisition of certification for emission regulations in 2016.
- Claim payments related to the hurricanes in the United States was because our subsidiary in the United States underwrote damage insurance applied to the products sold by our sales subsidiary.
- “Other” reduced operating income by 12.4 billion yen.
  - Depreciation and amortization expenses, and R&D expenses increased by 7.0 billion yen in total.
  - In addition to that, “Other” includes an increase in SG&A expenses, mix deterioration of products generated sales, and expenses incurred in relation to brand campaigns.

Operating Income by Reportable Segment

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■ Operating income excluding specific items

(% shows OP margin)

(Billion yen)	Year ended Dec. 31, 2017 Operating income ①	Specific items ②	Adjusted operating income ③=①-②	Year ended Dec. 31, 2016 Operating income ④	Specific items ⑤	Adjusted operating income ⑥=④-⑤	Changes ①-④	Changes (Adjusted) ③-⑥	Changes in revenues
Machinery	13.8% 198.2	-1.6	13.9% 199.7	14.5% 185.0	-1.3	14.6% 186.3	+13.2	+13.4	+164.4
Water	9.2% 26.2	+0.5	9.0% 25.7	7.5% 22.2	-	7.5% 22.2	+4.1	+3.6	-8.4
Other	9.9% 2.9	-	9.9% 2.9	12.3% 3.6	-	12.3% 3.6	-0.8	-0.8	-0.6
Adjustment	-28.4	-0.4	-28.1	-22.0	-	-22.0	-6.4	-6.1	
Total	11.4% 198.8	-1.4	11.4% 200.3	11.8% 188.8	-1.3	11.9% 190.1	+10.0	+10.2	+155.4

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- Operating income in Farm & Industrial Machinery excluding specific items increased due to the positive impact of increased sales, which compensated for increases in sales incentive costs, R&D expenses, and SG&A expenses.
- Operating income in Water & Environment excluding specific items increased due to profitability improvement achieved by selected orders based strictly on profitability and reduction of fixed costs, which exceeded the negative effects of lower overseas revenues.
- "Adjustment" excluding specific items deteriorated due partly to expenses incurred in relation to brand campaigns and increased business taxes.

Other Income (Expenses)

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(Billion yen)	Year ended Dec. 31, 2017	Year ended Dec. 31, 2016	Changes Amount
Other income (expenses)	14.1	8.2	+5.9

(Details)

(Billion yen)	Year ended Dec. 31, 2017	Year ended Dec. 31, 2016	Changes Amount
Interests and dividends	6.5	6.5	-0.1
Gain on sales of securities-net	8.4	6.8	+1.6
Foreign exchange gain (loss)-net	8.1	-3.6	+11.7
Other	-8.9	-1.6	-7.3
Valuation loss on derivatives	-8.5	-1.2	-7.3
Other-net	-0.4	-0.5	+0.0

+4.4

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- The sum of “Foreign exchange gain (loss)-net” and “Valuation loss on derivatives” represents substantive foreign exchange gain (loss), and it improved by 4.4 billion yen.
- Gain on sales of securities-net also increased.

Income before income taxes

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(Billion yen)	Year ended Dec. 31, 2017		Year ended Dec. 31, 2016		Changes	
	Amount	%	Amount	%	Amount	%
Income before income taxes *	212.9	12.2	197.0	12.3	+15.9	8.1
Income taxes	69.9		56.5		-13.4	
(Effective tax rate)	(32.8%)		(28.7%)		(+4.1%)	
Equity in net income of affiliated companies	2.4		2.4		-0.1	
Net income	145.3	8.3	142.9	9.0	+2.5	1.7
Less: Net income attributable to non-controlling interests	8.9		10.4		+1.5	
Net income attributable to Kubota Corp.	136.4	7.8	132.5	8.3	+4.0	3.0

	Year ended Dec. 31, 2017	Year ended Dec. 31, 2016	Changes
Dividend (Per common share)	32 yen	30 yen	+2 yen
Payout ratio	29 %	28 %	+1 point
Retirement of own shares (Billion yen)	13.2	6.0	+7.2
Shareholder return ratio (Dividends and retiremenrt of shares)	39 %	33 %	+6 point

* Income before income taxes and equity in net income of affiliated companies

Kubota Corp. retired 7,130,000 shares of common stock in December 2017.

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- Income taxes increased significantly by 13.4 billion yen due to reversal of deferred tax assets.
- Equity in net income of affiliated companies was almost the same as last year.
- Net income attributable to non-controlling interests improved by 1.5 billion yen.
    - The acquisition of 100% ownership of plastic pipes production and sales subsidiary and two overseas farm and industrial machinery sales subsidiaries in 2016 improved that by 0.9billion yen.

Shareholder Return History

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(Billion yen)	Year ended Mar. 31, 2014	Year ended Mar. 31, 2015	Nine months ended Dec. 31, 2015	Year ended Dec. 31, 2016	Year ended Dec. 31, 2017	Changes	Total of last 4 years and 9 months
Net income attributable to Kubota Corp.	132.7	139.5	110.1	132.5	136.4	+ 4.0	651.2
(Per common share)	(105.74yen)	(111.68yen)	(88.47yen)	(106.58yen)	(110.30yen)	(+3.72yen)	
Total amount of dividend paid	35.1	34.9	34.9	37.3	39.5	+ 2.3	181.7
(Dividend per common share)	(28yen)	(28yen)	(28yen)	(30yen)	(32yen)	(+ 2yen)	
Retirement of own shares	10.0	7.7	2.5	6.0	13.2	+ 7.2	39.4
(Number of shares retired)	(6 mil. shares)	(4 mil. shares)	(1 mil. shares)	(4 mil. shares)	(7 mil. shares)	(+ 3mil. shares)	
Total shareholder return	45.1	42.6	37.4	43.3	52.7	+ 9.5	221.1
Payout ratio	26%	25%	32%	28%	29%	+ 1P	28%
Shareholder return ratio (Dividends and retiremenrt of shares)	34%	31%	34%	33%	39%	+ 6P	34%

Dividend payout ratio: 30% as a target
Purchase and retirement of own shares*: Carry out every year

Shareholder return ratio: over 30%

＊ Continue share buy-backs and prompt retirement of treasury stock. The proceed from sales of assets such as equity securities, is appropriated to the resource of share buy-backs so as to control the balance of interest-bearing debt.

- Dividend payout ratio for FY2017 was 29%, which was slightly lower than the target of “30%”, but shareholder return ratio for FY2017 was 39%.

Balance Sheets (Assets)

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(Billion yen)	As of Dec. 31, 2017	As of Dec. 31, 2016	Changes	Changes ex the effects of fluctuation in exchange
Current assets	1,615.5	1,563.1	+52.5	
Cash and cash equivalents	230.7	169.4	+61.3	
Trade notes and accounts receivable	648.2	632.8	+15.3	+14.0
Short-term finance receivables-net	264.7	244.2	+20.6	
Inventories	362.5	356.2	+6.3	-2.0
Other current assets	109.4	160.5	-51.1	
Investments and long-term finance receivables	753.2	677.5	+75.8	
Long-term finance receivables-net	578.2	508.3	+69.9	
Other	175.0	169.2	+5.9	
Property, plant, and equipment	334.2	314.2	+20.0	
Other assets	150.9	115.8	+35.1	
Total assets	2,853.9	2,670.6	+183.3	
Total finance receivables-net	842.9	752.5	+90.5	+90.0

<Reference> Foreign exchange rate at balance sheet date (yen)

U.S. dollar	113	116	-3
Euro	135	123	+12

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- Cash and cash equivalents increased mainly at the Parent.
  - That cash level of 230 billion yen is too high, so we will apply that to repayment of borrowings.
- Trade notes and accounts receivable excluding the effects of fluctuation in exchange rate increased by 14.0 billion yen.
  - It increased at sales subsidiary in Canada and GPM due to strong sales, and at sales company in Myanmar which started the activity for full-scale sales.
- Total finance receivables-net excluding the effects of fluctuation in exchange rate increased by 90.0 billion yen.
  - It was caused mainly by strong retail sales and high penetration ratio of retail financing in North America.
  - Collection status of finance receivables remained favorable.
- Inventories excluding the effects of fluctuation in exchange rate declined by 2.0 billion yen.
  - Inventories at construction machinery manufacturing subsidiary in Europe increased while those at Parent and the manufacturing subsidiary in China decreased.

Balance Sheets (Liabilities)

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(Billion yen)	As of Dec. 31, 2017	As of Dec. 31, 2016	Changes	Changes ex the effects of fluctuation in exchange
Current liabilities	919.1	836.6	+82.5	
Short-term borrowings	182.5	193.9	-11.4	
Trade notes and accounts payable	286.1	255.9	+30.3	
Current portion of long-term debt	181.7	145.2	+36.5	
Other current liabilities	268.8	241.7	+27.1	
Long-term liabilities	549.4	562.0	-12.6	
Long-term debt	472.4	478.9	-6.5	
Accrued retirement and pension costs	12.8	12.1	+0.7	
Other long-term liabilities	64.2	71.1	-6.9	
Total liabilities	1,468.5	1,398.7	+69.8	
Total interest-bearing debt	836.6	818.0	+18.6	+17.0
Net debt equity ratio	0.47	0.54	-0.08	
Net debt equity ratio (ex financial services)	-0.14	-0.06	-0.08	

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- Total interest-bearing debt increased in line with increased finance receivables in the United States.

Balance Sheets (Equity)

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(Billion yen)	As of Dec. 31, 2017	As of Dec. 31, 2016	Changes
Kubota Corp. shareholders' equity	1,301.3	1,198.8	+102.6
Common stock	84.1	84.1	+0.0
Capital surplus	85.0	84.6	+0.4
Legal reserve	19.5	19.5	-
Retained earnings	1,046.2	961.4	+84.8
Accumulated other comprehensive income	66.6	49.3	+17.3
Foreign currency translation adjustments	31.4	26.0	+5.4
Unrealized gains on securities	55.4	49.6	+5.8
Pension liabilities adjustments	-20.1	-26.2	+6.1
Treasury stock, at cost	-0.2	-0.2	+0.0
Non-controlling interests	84.1	73.2	+10.9
Total equity	1,385.4	1,271.9	+113.5

Shareholders' equity to total assets	45.6%	44.9%	+0.7point

Return on Equity (ROE) History

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(Billion yen)	Year ended Mar. 31, 2014	Year ended Mar. 31, 2015	Nine months ended Dec. 31, 2015	Year ended Dec. 31, 2016	Year ended Dec. 31, 2017	Changes
Shareholder's equity	935.8	1,100.1	1,140.3	1,198.8	1,301.3	102.6
Net income attributable to Kubota Corp.	132.7	139.5	110.1	132.5	136.4	+4.0
Return on equity	15.3%	13.7%	-	11.3%	10.9%	-0.4point

＜Reference (unaudited)＞

(Billion yen)	Year ended Dec. 31, 2014 (Jan. 2014 - Dec. 2014, unaudited)	Year ended Dec. 31, 2015 (Jan. 2015 - Dec. 2015, unaudited)
Shareholder's equity	1,073.0	1,140.3
Net income attributable to Kubota Corp.	139.3	149.4
Return on equity	14.0%	13.5%

- Double-digit ROE has been achieved for the sixth consecutive fiscal year.
- 0.4 percentage points decline of ROE year on year was caused by the limited increase of net income attributable to Kubota Corporation due to the effect of the federal corporate tax rate cut in the United States.
    - ROE excluding the negative impact of it was 11.5%.

Cash Flow Statements

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(Billion yen)	Year ended Dec. 31, 2017	Year ended Dec. 31, 2016	Changes
Net cash provided by operating activities	222.3	185.0	+37.3
Net cash used in investing activities	-130.3	-167.5	+37.2
Purchases of fixed assets	-64.4	-56.1	-8.3
Other	-65.9	-111.4	+45.5
Net cash (used in) provided by financing activities	-32.6	11.4	-43.9
Effect of exchange rate changes on cash and cash equivalents	1.9	-5.7	+7.6
Net increase in cash and cash equivalents	61.3	23.1	+38.2
Free cash flow	157.9	128.8	+29.0

- Net cash provided by operating activities was 222.3 billion yen.
  - Cash inflow from net income and depreciation and amortization was 190.6 billion yen in total and those from changes in working capital was 31.7 billion yen.
  - Changes in inventories contributed slightly to an increase in cash inflow by 3.4 billion yen.
  - We will make efforts to expand net cash provided by operating activities by increasing net income and reducing inventories.
- Net cash used in investing activities was 130.3 billion yen.
  - "Other" in 2016 included cash outflow of 42.4 billion yen related to an acquisition of GPM.
- Net cash used in financing activities was 32.6 billion yen.
  - Net cash inflow from borrowings decreased by 48.5 billion yen.

Financial Services ＜Reference (unaudited)＞

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Balance Sheets

(Billion yen)		As of Dec. 31, 2017		As of Dec. 31, 2016	
		Financial servicies	Equipment operations	Financial servicies	Equipment operations
Total assets		1,021.1	1,779.2	938.5	1,809.7
	Cash and cash equivalents	12.6	218.1	12.5	156.9
	Trade notes and accounts receivable	29.1	619.8	29.8	603.7
	Finance receivables	842.9	-	752.5	-
	Inventories	-	362.5	-	356.2
	Property, plant, and equipment	0.5	333.8	0.4	313.8
	Other assets	136.0	245.0	143.3	379.0
Total liabilities		884.0	515.4	812.4	648.4
	Interest-bearing debt	807.1	53.9	744.7	93.2
	Other liabilities	76.9	461.5	67.7	555.2
Total equity		137.1	1,263.8	126.1	1,161.3

Statements of income（Financial Services）

(Billion yen)	Year ended Dec. 31, 2017		Year ended Dec. 31, 2016		Changes	
	Amount	%	Amount	%	Amount	%
Revenues	59.1		51.0		+8.1	+15.9
Operating income	24.7	41.7	20.5	40.3	+4.1	+20.1
Net income attributable to Kubota Corp.	12.5	21.1	13.3	26.2	-0.9	-6.6

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- Interest-bearing debt in equipment operations excluding financial services was 53.9 billion yen.
    - Net debt (amount obtained by subtracting cash and cash equivalents of 218.1 billion yen from interest-bearing debt) was -164.2 billion yen, so a debt-free status was maintained.
- Sufficient profitability of financial services was also maintained.

Recent Developments In Machinery

Recent Developments in Machinery (North America)

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U.S. **The market of tractors, construction machinery and engines is growing steadily along with favorable economy.**

Tractors: Demand for compact tractors remains strong due to ongoing economic expansion. Demand for mid-scale tractors will recover in the 2nd half of 2018 due to increase in income of dairy farmers and livestock farmers. Sales of large-scale tractors remain stagnant due to low market prices of grains.

Const. Machinery: The market of construction machinery continues to expand due to strong housing and construction demand. Tax reform also boosts the demand. Wholesales of SSL also increase due to the expiration of a reactionary decline from the inventory replenishment in 2016 .

Engines: Sales of engines remain strong along with steady demand for the construction machinery due to tax reform, and for the industrial machinery such as light towers by the recovery of oil and gas market.

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

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

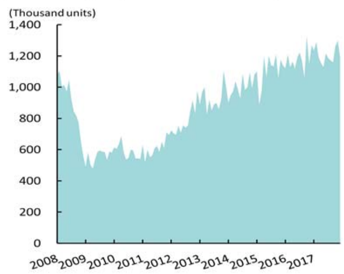
Source: AEM (Association of Equipment Manufacturers)

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

	Jan.-Mar.	Apr.-June	July-Sept.	Oct.-Dec.	Jan.-June	Jan.-Dec.
2016	+27.6%	+13.0%	+8.9%	+6.2%	+18.4%	+12.7%
2017	+12.2%	+12.4%	+12.0%	+19.4%	+12.3%	+14.0%

Source: AEM (Association of Equipment Manufacturers)

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



Source: U.S. Census Bureau

KUBOTA Corporation (Financial results for the year ended December 31, 2017) 17

- The factors as follows are expected to continue to have a positive effect on our each business.
  - Favorable economy conditions continue.
  - The number of housing starts remains high level.
  - Indicators, such as the number of housing sales and the house price index, and stock market are favorable.

- Tractors
  - Demand for compact tractors (0-40hp) mainly for home owners remains strong.
  - It's not expected for severe competition to slow down.
  - A rise in interest rates makes it difficult for each manufacturer to strengthen their incentive program, but it's expected to be maintained at the level of 2017, which was very strong, if interest rates rise moderately.
  - Demand for mid-scale tractors (40-120hp) is expected to recover in the 2nd half of 2018 due to increase in the agricultural income of dairy farmers and livestock farmers.
  - Sales of large-scale tractors (above 120hp) are expected to remain stagnant because of the absence of sufficient recovery in farmer's income due to low market prices of grains.
  - Sales of our large-scale tractor, such as M7 series, grew in the second half of 2017, and we aim to achieve double-digit market share in 2018.
  - We received a lot of orders for new model of UV, launched in 2018 at the national dealer meeting held in the autumn of 2017. We will make

further efforts to expand our UV business.

- Construction Machinery
  - The market of construction machinery is expected to further expand due to strong housing and construction demand.
  - Tax reform also boosts the demand.
  - Wholesales of SSL in 2017 decreased significantly due to a reactionary decline after the inventory replenishment in 2016. The level of wholesales of SSL is expected to return to the normal level in 2018.
  - We will try to increase the sales of all the products including SSL.

- Engines
  - Engines for both construction machinery and the industrial machinery are expected to continue to grow due to the recovery of oil and gas market.

Recent Developments in Machinery (Europe)

For Earth, For Life
Kubota

Europe

The agricultural market recovers slowly.
The market of construction and industrial machinery remains strong due to expanded demand for the construction.

Tractors	Sales of compact tractors remain at mostly unchanged because the solid economic expansion compensates for the negative impact of austerity measures in the U.K. Demand for mid-scale tractors increases in France, Germany, Spain, and Eastern Europe due to the rise in the prices of agricultural products and the raw milk.
Implements	Gradual recovery of sales continues despite the negative impact of inclement weather in some regions.
Const. machinery	Demand has recovered to almost pre-Lehman Shock level, and the business sentiment has improved. Sales in France and Italy continue to grow due to expanded demand for housing and construction. Sales in Germany and the U.K remain at mostly unchanged because investment and replacement demand was already considerably high in 2017, while expansion in the construction work is expected.
Engines	Sales continue to grow along with strong demand for construction machinery and for industrial machinery. The rush demand before the new exhaust emissions regulations (Stage V) implemented in 2019 is also expected.

KUBOTA Corporation (Financial results for the year ended December 31, 2017) 18

- The agricultural market is expected to recovers slowly due to bottoming out of the prices of agricultural products and raw milk.

- Tractors
  - Sales of compact tractors in Europe are expect to be solid while austerity measures in the U.K. may have negative impact on the market.
  - Demand for mid-scale tractors is expected to increase slowly.

- Implement in the agriculture-related market
  - Gradual recovery of sales is expected to continues despite the negative impact of inclement weather in some regions.

- Construction Machinery
  - Sales growth is expected to continue supported by favorable economic conditions.
  - Demand for small construction machinery has recovered to almost pre-Lehman Shock level in 2017.
  - Sales growth in Germany and the U.K, where investment for CE has grown significantly over the past several years, is expected to slow down.

- Engines
  - Sales is expected to continue to grow.
  - The rush demand before the new exhaust emissions regulations (Stage

V), which will be implemented in 2019, is expected. We concern about our production capacity.

Recent Developments in Machinery (Asia)

For Earth, For Life
Kubota

Thailand **Market returns to normal condition due to improved rice prices and recovery from flood damages. Expect natural disaster will calm down. Neighboring countries expect to get back on the growth path.**

Tractors, Combines

Sales for rice cropping-market increase due to improved buyer's motive caused by recovery from flood damages. Rice prices start to recover from stagnation due to decreased government rice inventories and strong rice exports. As for dry-field crop-market, sales for sugar cane-market continue to be strong due to positive information, such as plans for establishing sugar factories. We try to grow the business related to dry-field crop by products developed by local R&D center and implement.

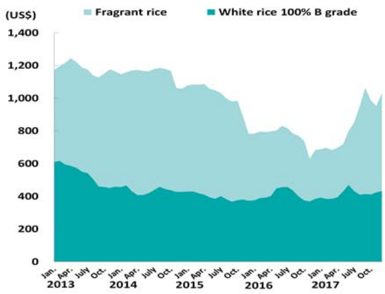
Const. machinery

Demand for CE continues to be strong due to lacked labors for construction in urban areas. Competition get intensified due to the market entry of the competitors along with the growth of the market.

Exports to neighboring countries

〈Cambodia〉
Demand for tractors continue to expand due to lacked labors. Transition from power tillers to tractors also continue.
Sales of combine harvesters increase due to steady demand for renewal.
〈Myanmar〉
Demand expands due to labor shortage in rural areas and mechanization.

■ Export price of Thai rice (US$/t)



Source: USDA, Thai Rice Exporters Association

KUBOTA Corporation (Financial results for the year ended December 31, 2017) 19

- Natural disaster, such as drought and severe rain, occurring every year has prevented the expansion of market.
  - Market is expected to grow in 2018 if these situations will calm down.

- Rice cropping market
  - Farmer's buying motives in Northeastern area, which is our core market, have been on a recovery trend due to recovery from flood damages.
  - Demand for farming machinery is expected to increase due to increase in rice prices caused by decreased rice stocks held by government and strong rice exports.
- Dry-field cropping market
  - Sugar cane farmer's demand for tractors is expected to continue to expand due to increase in sugar factories, while cassava farmer's demand for tractors is expected to be weak due to stagnating cassava prices.

- Const. machinery
  - Demand is expected to continue to be solid due to growing labor shortages for construction works in urban areas, such as Bangkok.
  - Competition with Japanese manufacturers will start getting intensified due to new entry caused by growing market.

- Exports to neighboring countries
  - Sales was weak in 2017 due to stagnating agricultural prices and flood

damages. But we expect these situation will calm down and the sales is expected to get back on the growth path in 2018.

- In Cambodia, demand for tractors and combine harvesters will increase due to accelerated mechanization of farming and solid demand for renewals.
- In Myanmar, demand is expected to increase due to accelerated mechanization as well.

Recent Developments in Machinery (Asia)

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China — **Budgeted government subsidies is expected to be the same or lower than FY 2017. Demand for machinery with high performance and high efficiency increases due to decreased subsidies per product.**

Tractors: We promote to sell products manufactured by local subsidiaries. Demand continues to move to larger tractors due to decreased subsidies and increased demand for tractors with high efficiency.

Combines: Demand continue to move to products with highly functional products and larger products due to decreased subsidies. We promote sales of wheel drive combines, such as corn combines, whose mechanization rate is relatively lower than other products, along with improving market share of crawler combine harvesters.

Rice transplanters: Market volume is expected to decrease due to adverse reaction from increased market in 2017, caused by crop conversion from corn to rice-cropping. We promote sales of rice transplanters with multi function answering the need for less fertilizer and pesticide usage.

Const. machinery: Sales increase due to One Belt and One Road initiative, strong demand for city infrastructure construction, and shortage of labors.

■ Budgeted government subsidies for purchase of agricultural equipment

(Billion RMB)		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Subsidies	1st stage	-	-	-	-	11.0	13.0	20.0	17.0	21.0	22.8	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

- The volume of budgeted government subsidies for purchase of agricultural equipment is unclear as of this moment, but that is unlikely to be increased compared to that in 2017.
- Demand for high-horsepower farm machinery is expected to increase due to reduction of government subsidies (per product) for products with relatively higher penetration rate and rapid growth in demand for higher production efficiency by contractors.
  - Demand is expected to move to high-horsepower farm machinery, which enable to realize the drastic improvement of efficiency. Competition in these markets is expected to be intensified.

- Tractors
  - Sales is expected to grow due to an increase in market shares following in 2017.

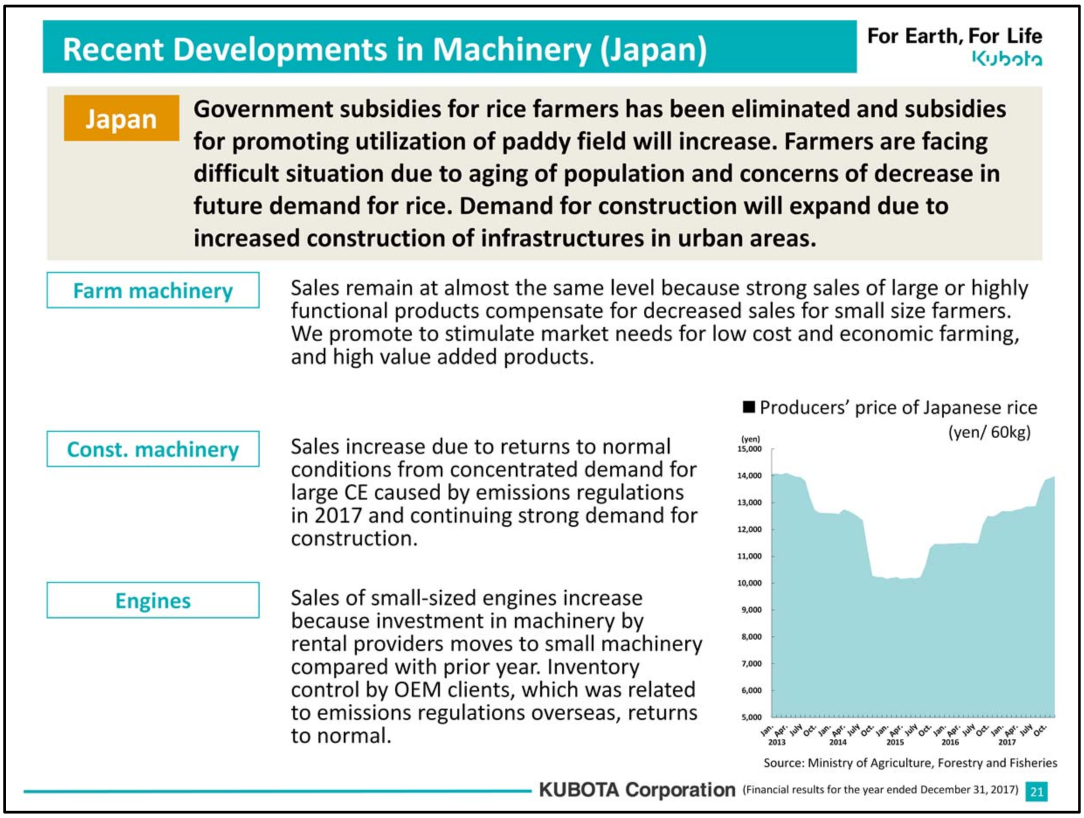
- Combines
  - Our market share is expected to grow mainly due to full-scale introduction of new products from this year.
  - We will strengthen the sales of wheel drive combine harvesters, such as corn combines, whose market penetration is still low and potential of growth is high.

- Rice transplanters
  - Market of rice transplanters expanded suddenly in 2017 due to some

temporary factors, such as incentive measures for crop conversion from corn to rice. So we anticipate demand will decrease slightly due to the adverse reaction from 2017.

  - We will increase sales due to increases in market share by getting advantages from competitors in some promising products, such as multi-functional rice transplanters (enable concurrent job of rice transplanting).

- Const. machinery
  - Growth rate is expected be slowed, but market will continue to expand due to increasing demand for infrastructure construction in urban area caused by One Belt and One Road initiative and Public Private Partnership project.



- Agricultural policy is reaching a turning point due to the elimination of government subsidies for rice farmers and increased government subsidies for promoting utilization of paddy field.
- Farmers are facing difficult situation due to some structural issues, such as aging of population and decreasing demand for rice.
- Construction Market related to const. machinery and engines will be solid due to increasing construction of infrastructures in urban areas.

- Farm machinery
  - Small sized rice farmers' motives for investment are expected to continue to decrease, while the number of mixed farmers, who produces some types of crops such as wheat, soy beans, rice for feedstuff, and processed rice, are expected to increase due to the changed government subsidies.
  - Demand for tractors, combine harvesters, and rice transplanters is expected to remain at almost the same level as in 2017.
  - We will make efforts to increase our market shares through expanding selection of products answering various market needs, such as improvement of operational efficiency, reduction of production cost, labor-saving, and high-value added products.

- Const. machinery
  - Demand for construction will continue to be solid. In addition, demand of rental providers was concentrated on large sized const. machinery in

2017 due to stronger emission regulations. So we expect demand for small sized const. machinery will increase due to leveling of demand.

- Engines
  - Demand is expected to increase because investment in machinery is expected to move to small sized machinery from large sized machinery, that is same as in CE industry.
  - Sales will increase due to finished inventory control regarding exporting products to overseas countries by OEM.

Forecast

Voluntary Adoption of IFRS

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Kubota

Kubota Corp. has decided to voluntarily adopt IFRS from the 1st quarter of the fiscal year ending December 31, 2018.

■ The impact on the financial results from the transition to IFRS

(Billion yen)

Year ended Dec. 31, 2017 (Actual)					
U.S. GAAP		IFRS [reference] *		Changes	Main reconciliation items
Revenues	1,751.5	Revenues	1,751.5	-0.1	
Domestic	564.2	Domestic	564.2	-	
Overseas	1,187.3	Overseas	1,187.3	-0.1	
Operating income	11.4% 198.8	Operating profit	11.4% 200.5	+1.7	Capitalization of R&D expenses +4.8, Retirement benefit costs -2.1
Income before income taxes *	12.2% 212.9	Profit before income taxes	12.3% 214.6	+1.7	same as above
Net income attributable to Kubota Corp.	7.8% 136.4	Profit attributable to owners of the parent	7.7% 134.6	-1.9	Increase in income taxes, including the effect of corporate tax cut in U.S. -3.4

* Income before income taxes and equity in net income of affiliated companies

*The financial results for the year ended December 31, 2017 are approximate values tentatively calculated in February 2018, and subject to change depending on the accounting audit results.

KUBOTA Corporation (Financial results for the year ended December 31, 2017) 23

- There are few differences between IFRS and U.S. GAAP.
- Capitalization of R&D expenses has positive impact on operating income for a few years, while retirement benefit costs have negative impact.
- Foreign exchange gain (loss) related to trade notes and accounts receivable, and trade notes and accounts payable was reclassified as operating income (expenses) from other income (expenses), while the reconciliation related to this in the year ended December 31, 2017 was a very small amount by chance.
- There was a difference in income taxes due to the tax effect accounting mainly related to the overseas subsidiaries.

Voluntary Adoption of IFRS

For Earth, For Life
Kubota

■ The impact on the financial results for the six months ended June 30, 2017 from the transition to IFRS

(Billion yen)

Six months ended June 30, 2017 (Actual)					
U.S. GAAP		IFRS [reference] *		Changes	Main reconciliation items
Revenues	846.0	Revenues	851.3	+5.3	
Domestic	280.6	Domestic	280.6	-	
Overseas	565.4	Overseas	570.7	+5.3	Sales incentives +5.3
Operating income	11.9% 100.6	Operating profit	11.9% 101.6	+1.0	Sales incentives +5.3, Capitalization of R&D expenses +2.1, Retirement benefit costs -1.0, Levies -2.0, Allocation of sales expenses -1.9, Reclassification of foreign exchange gain (loss) -1.6
Income before income taxes *	12.7% 107.6	Profit before income taxes	12.9% 110.1	+2.5	same as above excluding reclassification foreign exchange gain (loss)
Net income attributable to Kubota Corp.	8.3% 70.4	Profit attributable to owners of the parent	8.5% 72.0	+1.5	

* Income before income taxes and equity in net income of affiliated companies

*The financial results for the six months ended June 30, 2017 are approximate values tentatively calculated in February 2018, and subject to change depending on the accounting audit results.

- There are some reconciliation items in the first half of 2017, such as sales incentives, levies, and allocation of sales expenses. However, their differences are eliminated on a full year.

Anticipated Operating Results

For Earth, For Life
Kubota

(Billion yen)		Year ending Dec. 31, 2018 (Forecast, IFRS)	Year ended Dec. 31, 2017 Actual, IFRS [reference]*	Changes Amount	Changes %	Six months ending June 30, 2018 (Forecast)
Revenues		1,820.0	1,751.5	+68.5	+3.9	920.0
	Domestic	575.0	564.2	+10.8	+1.9	283.0
	Overseas	1,245.0	1,187.3	+57.7	+4.9	637.0
Operating profit		11.7% 213.0	11.4% 200.5	+12.5	+6.2	11.8% 109.0
Profit before income taxes		12.0% 219.0	11.8% 206.2	+12.8	+6.2	12.2% 112.0
Profit attributable to owners of the parent		8.3% 151.0	7.4% 128.7	+22.3	+17.3	8.4% 77.0

*The financial results for the year ended December 31, 2017 are approximate values tentatively calculated in February 2018, and subject to change depending on the accounting audit results. Furthermore, Kubota Corp. has adopted IFRS 9 since the fiscal year ending Dec. 31, 2018. The financial results for the year ended December 31, 2017 on the above sheet are presented excluding gain on sales of securities-net in order to compare under the same conditions.

KUBOTA Corporation (Financial results for the year ended December 31, 2017) 25

- Kubota Corp. has adopted IFRS 9 since the fiscal year ending December 31, 2018.
  - The financial results for the year ended December 31, 2017 on the above sheet are presented excluding 8.4 billion yen of gain on sales of securities-net and 2.6 billion yen of income taxes related to that in order to compare under the same conditions.

Anticipated Revenues by Reportable Segment

For Earth, For Life
Kubota

(Billion yen)	Year ending Dec. 31, 2018 (Forecast, IFRS)	Year ended Dec. 31, 2017 Actual, (IFRS [reference]*)	Changes: Amount	Changes: %
Machinery	1,497.0	1,436.5	+60.5	+4.2
Domestic	297.0	294.5	+2.5	+0.8
Overseas	1,200.0	1,142.0	+58.0	+5.1
Water	295.0	286.1	+8.9	+3.1
Domestic	250.0	241.1	+8.9	+3.7
Overseas	45.0	45.0	-	-
Other	28.0	28.9	-0.9	-3.1
Domestic	28.0	28.6	-0.6	-2.1
Overseas	-	0.3	-0.3	-100.0
Total revenues	1,820.0	1,751.5	+68.5	+3.9
Domestic revenues	575.0	564.2	+10.8	+1.9
Overseas revenues	1,245.0	1,187.3	+57.7	+4.9

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

* The financial results for the year ended December 31, 2017 are approximate values tentatively calculated in February 2018, and subject to change depending on the accounting audit results.

- Domestic
  - Sales of vending machinery business, from which we exited in 2017, decreased by 6.0 billion yen.
  - Sales of farming machinery, construction machinery, construction business, and water purification facilities will increase.

- Overseas
  - Revenues will increase due to increased sales in farm machinery, CE, and engines, while revenues from Water and Environment will remain at almost the same level as 2017.
  - Fluctuation of exchange will decrease overseas revenues by 2.0 billion yen. Yen will be getting stronger against US dollar, while it will be getting weaker against Euro

Anticipated Operating Profit

For Earth, For Life
Kubota

(Billion yen)	Year ending Dec. 31, 2018 (Forecast, IFRS)		Year ended Dec. 31, 2017 (Actual, IFRS [reference]*)		Changes	
	Amount	%	Amount	%	Amount	%
Operating profit	213.0	11.7	200.5	11.4	+12.5	+6.2

Factors affecting operating profit (YoY change +12.5 billion yen)

Factor	Details	Amount	Total
1.Fluctuation in exchange rates	US$ (112→110) Euro (127→130) Other currencies	-1.0 billion yen +6.0 billion yen +2.0 billion yen	**+7.0** billion yen
2.Material	Machinery Water	±0.0 billion yen -4.0 billion yen	**-4.0** billion yen
3.Change in Sales incentive ratio	U.S. : -3.5 billion yen, China: -2.0 billion yen etc.		**-5.5** billion yen
4.Personnel expenses (Excluding GPM)	Cost of goods sold SG&A expenses	±0.0 billion yen -4.0 billion yen	**-4.0** billion yen
5.Specific items	Claim payments related to the hurricanes in U.S. (in prior year)	+0.7 billion yen	**+0.7** billion yen
6.Impact of increased sales			**+25.0** billion yen
7.Other			**-6.7** billion yen

*The financial results for the year ended December 31, 2017 are approximate values tentatively calculated in February 2018, and subject to change depending on the accounting audit results.

KUBOTA Corporation (Financial results for the year ended December 31, 2017) 27

- The foreign exchange sensitivity of US dollar is 2.0 billion yen per a one yen change in the value of US dollar and those of Euro is 0.6 billion yen per a one yen change in the value of Euro.
- Sales incentive ratio will be increased in North America and China.
- Negative impact of “Other” [-6.7 billion] is mainly related to increased depreciation and amortization expenses, and R&D expenses in Machinery, which have been expanding their business.

Anticipated Operating Profit by Reportable Segment

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■ Anticipated operating profit excluding specific items

(% shows OP margin)

(Billion yen)	Year ending Dec. 31, 2018 (Forecast)			Year ended Dec. 31, 2017 (Actual, IFRS [reference]*)			Changes	Changes (Adjusted)	Changes in revenues
	Operating profit ①	Specific items ②	Adjusted operating profit ③=①-②	Operating profit ④	Specific items ⑤	Adjusted operating profit ⑥=④-⑤	①-④	③-⑥	
Machinery	14.7% 220.0	-	14.7% 220.0	13.9% 200.4	-0.7	14.0% 201.1	+19.6	+18.9	+60.5
Water	8.1% 24.0	-	8.1% 24.0	8.9% 25.3	-	8.9% 25.3	-1.3	-1.3	+8.9
Other	7.1% 2.0	-	7.1% 2.0	10.4% 3.0	-	10.4% 3.0	-1.0	-1.0	-0.9
Adjustment	-33.0	-	-33.0	-28.2	-	-28.2	-4.8	-4.8	
Total	11.7% 213.0	-	11.7% 213.0	11.4% 200.5	-0.7	11.5% 201.2	+12.5	+11.8	+68.5

*The financial results for the year ended December 31, 2017 are approximate values tentatively calculated in February 2018, and subject to change depending on the accounting audit results.

KUBOTA Corporation (Financial results for the year ended December 31, 2017) 28

- Operating profit in “Water” forecasts to decrease due to the increased material costs, while revenues will increase.
  - We will make efforts to improve this results by increasing our sales price and reducing fixed cost.
- Deterioration of “Adjustment” by 4.8 billion yen includes deterioration of foreign exchange gain (loss) by 3.1 billion yen, which is reclassified as operating income (expenses) due to adoption of IFRS.
  - It practically attributes to “Machinery”.

Exchange Rate, CAPEX, Depreciation and R&D Expenses

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■ Anticipated foreign exchange rate

		Year ending Dec. 31, 2018 (Forecast)	Year ended Dec. 31, 2017 (Actual)	Year ended Dec. 31, 2016 (Actual)
¥/US$	1st Half (Jan.-June)	110	112	112
	2nd half (July-Dec.)	110	112	106
	Full year average (Jan.-Dec.)	110	112	109
¥/Euro	1st Half (Jan.-June)	130	122	125
	2nd half (July-Dec.)	130	132	116
	Full year average (Jan.-Dec.)	130	127	120

■ CAPEX, Depreciation and R&D expenses

(Billion yen)	Year ending Dec. 31, 2018	Year ended Dec. 31, 2017		Year ended Dec. 31, 2016
	(Forecast, IFRS)	(Actual, IFRS [reference]*)	(Actual, U.S. GAAP)	(Actual, U.S. GAAP)
Capital expenditures	70.0	52.2	52.2	65.4
Depreciation and amortization	53.0	46.0	45.3	43.4
R&D expenses	48.0	43.4	48.1	43.0

*The financial results for the year ended December 31, 2017 are approximate values tentatively calculated at this time in February 2018, and subject to change depending on the accounting audit results.

- We plan capital expenditures such as establishment of mid-western sales branch and distribution center in Kansas in the United States.
- In addition to an increase in capital expenditures, depreciation and amortization expenses are expected to increase to 53.0 billion yen, and R&D expenses will increase to 48.0 billion yen in 2018.

Safe Harbor

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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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