

# Financial Results for the nine months ended September 30, 2018



November 6, 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 nine months ended September 30, 2017 and the fiscal year ended December 31, 2017 used in the following analysis were reclassified into figures in accordance with IFRS.

# Financial Summary

¥ in billions)	Nine months ended Sept. 30, 2018	Nine months ended Sept. 30, 2017	Changes	
			Amount	%
<b>Revenue</b>	1,364.4	1,270.4	+94.0	+7.4
Domestic	422.8	415.4	+7.4	+1.8
Overseas	941.6	855.0	+86.6	+10.1
<b>Operating profit</b>	10.9% 148.4	11.7% 149.2	-0.8	-0.5
<b>Profit before income taxes*</b>	11.3% 153.6	12.7% 161.1	-7.5	-4.6
<b>Profit attributable to owners of the parent</b>	7.8% 105.9	8.5% 108.0	-2.1	-1.9

¥ in billions)	As of Sept. 30, 2018	As of Dec. 31, 2017	Changes	
			Amount	%
<b>Total assets</b>	2,900.4	2,832.4	+68.1	+2.4
<b>Equity attributable to owners of the parent</b>	1,348.9	1,291.1	+57.8	+4.5

\* 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 IFRS9. For your information, the financial results for the nine months ended September 30, 2017 included gain on sales of securities of 8.3 billion yen.

( For reference: Changes excluding the effects of fluctuation in exchange [+2.0 billion yen]  
>Overseas revenue in Machinery increased by 9%. Total overseas revenue increased by 10%. )

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

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### **Machinery: +91.0 billion yen** (Domestic: +10.2, Overseas: +80.7)

#### Japan

Sales of farm equipment increased due to expansion of demand for higher hp equipment and an increase in market shares. Sales of const. machinery increased due to high demand for construction and adverse reaction from prioritized purchase of large-scale equipment in the prior year resulting from tightening of emission regulations. Sales of engines increased significantly due to high demand for const. and industrial machinery.

#### North America

Sales of compact tractors increased due to continuous expansion of demand along with favorable economic conditions. Sales of mid-scale tractors also increased due to recovery of demand and an increase in market shares. Sales of const. machinery and engines increased significantly due to solid demand for construction.

#### Europe

Sales of mid-scale tractors increased while those of compact tractors and lawn mowers were stagnant due to low temperature in the spring and extreme heat in the summer. Sales of const. machinery increased significantly due to expansion of demand in South and East Europe and an increase in market shares along with continuing strong demand for construction. Sales of engines increased thanks to high demand for const. and industrial machinery.

#### Asia

In Thailand, sales of tractors increased mainly due to a rise in prices of jasmine rice and cassava. In China, sales of farm equipment decreased significantly mainly due to stagnation of demand resulting from severer competition among contractors. Sales of const. machinery and engines increased mainly due to strong demand for construction of urban infrastructure.

### **Water: +2.8 billion yen** (Domestic: -3.1, Overseas: +5.9)

# Operating Profit

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(¥ in billions)	Nine months ended Sept. 30, 2018		Nine months ended Sept. 30, 2017		Changes	
	Amount	%	Amount	%	Amount	%
<b>Operating profit</b>	148.4	10.9	149.2	11.7	-0.8	-0.5

## Factors affecting operating profit (YoY change -0.8 billion yen)

<b>1. Fluctuation in exchange rates</b>	US\$ (112→110) Euro (125→131) Other currencies	-2.0 billion yen +6.0 billion yen +1.0 billion yen	<b>+5.0 billion yen</b>
<b>2. Foreign exchange gain/loss</b>			<b>-3.1 billion yen</b>
<b>3. Material</b>	Machinery Water	-5.5 billion yen -3.5 billion yen	<b>-9.0 billion yen</b>
<b>4. Change in sales incentive ratio</b>	North America : -5.1 billion yen, China: -1.3 billion yen etc.		<b>-6.7 billion yen</b>
<b>5. Personnel expenses</b>	Cost of goods sold SG&A expenses	-1.5 billion yen -3.8 billion yen	<b>-5.3 billion yen</b>
<b>6. Specific items</b>	Loss resulting from the typhoon in Japan Claim payments related to the hurricanes in U.S. (in prior year)	-1.0 billion yen +1.1 billion yen	<b>+0.1 billion yen</b>
<b>7. Impact of increased sales</b>			<b>+32.0 billion yen</b>
<b>8. Other</b>			<b>-13.8 billion yen</b>

# Operating Profit by Reportable Segment

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## Operating profit excluding specific items

(¥ in billions)		Nine months ended Sept. 30, 2018			Nine months ended Sept. 30, 2017			Changes	Changes (Adjusted)
		Actual	Specific items	Adjusted actual = -	Actual	Specific items	Adjusted actual = -		
<b>Machinery</b>	Revenue	1,139.6		1,139.6	1,048.6		1,048.6	+91.0	+91.0
	Operating profit	158.1	-1.0	159.1	150.4	-1.1	151.5	+7.7	+7.6
	OP margin	13.9%		14.0%	14.3%		14.4%	-0.5P	-0.5P
<b>Water</b>	Revenue	203.0		203.0	200.2		200.2	+2.8	+2.8
	Operating profit	11.1	-0.0	11.2	16.6	-	16.6	-5.5	-5.4
	OP margin	5.5%		5.5%	8.3%		8.3%	-2.8P	-2.8P
<b>Other</b>	Revenue	21.9		21.9	21.6		21.6	+0.3	+0.3
	Operating profit	1.8	-	1.8	2.2	-	2.2	-0.4	-0.4
	OP margin	8.0%		8.0%	10.0%		10.0%	-2.0P	-2.0P
<b>Adjustment</b>	Operating profit	-22.6	-0.0	-22.5	-20.0	-	-20.0	-2.6	-2.6
<b>Total</b>	Revenue	1,364.4		1,364.4	1,270.4		1,270.4	+94.0	+94.0
	Operating profit	148.4	-1.0	149.5	149.2	-1.1	150.3	-0.8	-0.8
	OP margin	10.9%		11.0%	11.7%		11.8%	-0.9P	-0.9P

# Anticipated Operating Results

For Earth, For Life  


¥ in billions)	Year ending Dec. 31, 2018 (Forecast)	Year ended Dec. 31, 2017 (Actual)	Changes		Previous forecast (Aug. 2018)
			Amount	%	
<b>Revenue</b>	<b>1,830.0</b>	<b>1,751.0</b>	<b>+79.0</b>	<b>+4.5</b>	<b>1,820.0</b>
Domestic	574.0	563.8	+10.2	+1.8	586.0
Overseas	1,256.0	1,187.2	+68.8	+5.8	1,234.0
<b>Operating profit</b>	11.1% <b>204.0</b>	11.4% <b>200.0</b>	<b>+4.0</b>	<b>+2.0</b>	11.2% <b>204.0</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>	11.5% <b>210.0</b>
<b>Profit attributable to owners of the parent</b>	7.9% <b>145.0</b>	7.7% <b>134.2</b>	<b>+10.8</b>	<b>+8.1</b>	8.0% <b>145.0</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 IFRS9. For your information, the financial results for the year ended December 31, 2017 included gain on sales of securities of 8.4 billion yen.

For reference: Changes excluding the effects of fluctuation in exchange [-3.0 billion yen]  
 >Overseas revenue in Machinery is forecast to increase by 6%. Total overseas revenue is forecast to increase by 6%.

# Anticipated Operating Profit

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(¥ in billions)	Year ending Dec. 31, 2018 (Forecast)		Year ended Dec. 31, 2017 (Actual)		Changes	
	Amount	%	Amount	%	Amount	%
<b>Operating profit</b>	204.0	11.1	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>	North America : -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	-1.5 billion yen -4.5 billion yen	<b>-6.0 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>+31.0 billion yen</b>
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<b>8. Other</b>			<b>-4.2 billion yen</b>
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# Anticipated Operating Profit by Reportable Segment

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## Anticipated operating profit excluding specific items

(¥ in billions)		Year ending Dec. 31, 2018 (Forecast)			Year ended Dec. 31, 2017 (Actual)			Changes	Changes (Adjusted)
		Forecast	Specific items	Adjusted forecast = -	Actual	Specific items	Adjusted actual = -		
<b>Machinery</b>	Revenue	1,509.0		1,509.0	1,436.5		1,436.5	+72.5	+72.5
	Operating profit	211.0	-	211.0	200.7	-0.7	201.4	+10.3	+9.6
	OP margin	14.0%		14.0%	14.0%		14.0%	+0.0P	-0.0P
<b>Water</b>	Revenue	293.0		293.0	285.6		285.6	+7.4	+7.4
	Operating profit	22.0	-	22.0	24.4	-	24.4	-2.4	-2.4
	OP margin	7.5%		7.5%	8.5%		8.5%	-1.0P	-1.0P
<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	-31.0	-	-31.0	-28.2	-	-28.2	-2.8	-2.8
<b>Total</b>	Revenue	1,830.0		1,830.0	1,751.0		1,751.0	+79.0	+79.0
	Operating profit	204.0	-	204.0	200.0	-0.7	200.7	+4.0	+3.3
	OP margin	11.1%		11.1%	11.4%		11.5%	-0.3P	-0.3P

# Exchange Rate

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		Year ending Dec. 31, 2018		Year ended Dec. 31, 2017
		Forecast	Actual	Actual
¥/US\$	1st quarter (Jan.-Mar.)	-	<b>108</b>	<b>114</b>
	2nd quarter (Apr.-June)	-	<b>109</b>	<b>111</b>
	1st half (Jan.-June)	-	<b>109</b>	<b>112</b>
	3rd quarter (July-Sept.)	-	<b>111</b>	<b>111</b>
	4th quarter (Oct.-Dec.)	-	-	<b>113</b>
	2nd half (July-Dec.)	<b>111</b>	-	<b>112</b>
	Sept. YTD (Jan.-Sept.)	-	<b>110</b>	<b>112</b>
	Full year average (Jan.-Dec.)	<b>110</b>	-	<b>112</b>
	¥/Euro	1st quarter (Jan.-Mar.)	-	<b>133</b>
2nd quarter (Apr.-June)		-	<b>130</b>	<b>122</b>
1st half (Jan.-June)		-	<b>132</b>	<b>122</b>
3rd quarter (July-Sept.)		-	<b>130</b>	<b>130</b>
4th quarter (Oct.-Dec.)		-	-	<b>133</b>
2nd half (July-Dec.)		<b>128</b>	-	<b>132</b>
Sept. YTD (Jan.-Sept.)		-	<b>131</b>	<b>125</b>
Full year average (Jan.-Dec.)		<b>130</b>	-	<b>127</b>

# Accompanying Materials

## The Major Adjustments Resulting from the Adoption of IFRS

Adjustments in the financial results for the nine months ended September 30, 2017

(¥ in billions)

Nine months ended Sept. 30, 2017					
U.S. GAAP		IFRS		Changes	Main reconciliation items
<b>Revenues</b>	<b>1,266.7</b>	<b>Revenue</b>	<b>1,270.4</b>	<b>+3.7</b>	
<b>Domestic</b>	418.7	<b>Domestic</b>	415.4	-3.3	Percentage-of-completion method -3.3
<b>Overseas</b>	848.0	<b>Overseas</b>	855.0	+7.0	Sales incentives +7.0
<b>Operating income</b>	11.4% <b>144.5</b>	<b>Operating profit</b>	11.7% <b>149.2</b>	<b>+4.7</b>	Percentage-of-completion method -1.2, Sales incentives +7.0, Capitalization of development expenses +3.1, Retirement benefit costs -1.6, Levies -1.3, Periodical allocation of sales expenses -2.1, Reclassification of foreign exchange gain (loss) +0.5
<b>Income before income taxes</b>	12.4% <b>156.9</b>	<b>Profit before income taxes</b>	12.7% <b>161.1</b>	<b>+4.2</b>	Same as above excluding reclassification of foreign exchange gain (loss)
<b>Net income attributable to Kubota Corp.</b>	8.3% <b>105.3</b>	<b>Profit attributable to owners of the parent</b>	8.5% <b>108.0</b>	<b>+2.7</b>	Increase in income taxes -1.3

## Reference Data (The United States)

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

		Jan.-Mar.	Apr.-June	July-Sept.	Oct.-Dec.	Jan.-June	Jan.-Sept.	Jan.-Dec.
2016	0-40hp	+26.1%	+7.1%	+9.6%	+14.0%	+12.7%	+11.7%	+12.1%
	40-120hp	-0.7%	-4.3%	-10.6%	-2.5%	-2.9%	-5.6%	-4.9%
	0-120hp	+14.9%	+3.5%	+2.3%	+7.4%	+7.3%	+5.6%	+6.0%
2017	0-40hp	+13.7%	+11.2%	-1.7%	+8.9%	+12.0%	+7.5%	+7.8%
	40-120hp	-4.0%	-1.4%	-4.0%	+2.4%	-2.5%	-3.0%	-1.6%
	0-120hp	+7.3%	+7.7%	-2.4%	+6.5%	+7.5%	+4.2%	+4.7%
2018	0-40hp	+1.6%	+11.6%	+13.1%	-	+8.3%	+9.7%	-
	40-120hp	-2.1%	+6.5%	-0.1%	-	+3.0%	+1.9%	-
	0-120hp	+0.4%	+10.3%	+8.7%	-	+6.8%	+7.4%	-

Source: AEM (Association of Equipment Manufacturers)

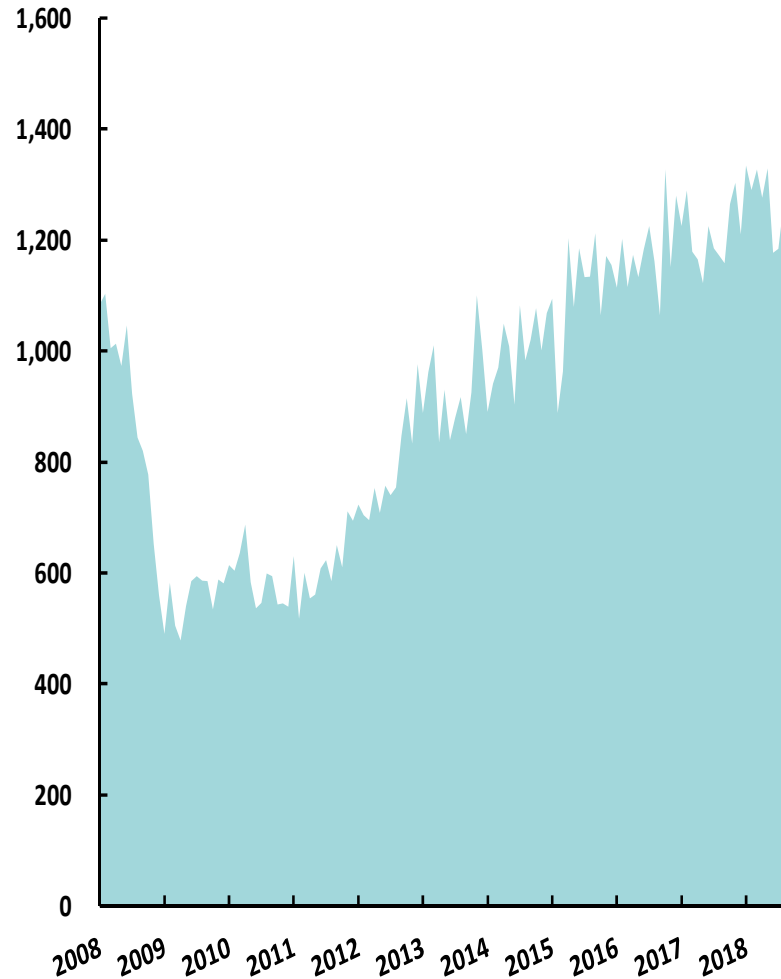
YoY growth rate of retail sales units in the mini-excavator market (0-8t)

	Jan.-Mar.	Apr.-June	July-Sept.	Oct.-Dec.	Jan.-June	Jan.-Sept.	Jan.-Dec.
2016	+27.6%	+13.0%	+8.9%	+6.2%	+18.4%	+15.1%	+12.7%
2017	+12.2%	+12.4%	+12.0%	+19.4%	+12.3%	+12.2%	+14.0%
2018	+5.9%	+15.3%	+14.1%	-	+11.6%	+12.4%	-

Source: AEM (Association of Equipment Manufacturers)

# Reference Data (The United States and Thailand)

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



Source: U.S. Census Bureau

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



Source: USDA, Thai Rice Exporters Association

## Cautionary Statements with Respect to Forward-Looking Statements

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



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