[Translation]

Annual Securities Report

(The 129th Business Term)

From January 1, 2018 to December 31, 2018

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

Kubota Corporation

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[Document Filed]	Annual Securities Report ("Yukashoken Hokokusho")
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This is an English translation of the original Annual Securities Report ("Yukashoken Hokokusho") 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 translations of the Independent Auditor's Report (filed under the Financial Instruments and Exchange Act of Japan), the Confirmation Letter, and Management's Report on Internal Control over Financial Reporting for the original Annual Securities Report are included at the end of this document.

For the purposes of this Annual Securities 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.

Cautionary Statement 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 forecasted 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; and the Company's ability to continue to gain acceptance regarding its products.

1. Overview of the Company

1. Key Financial Data

		IFRS		
Fiscal period		129th Business term	128th Business term	Transition date
Period ended		December 2018	December 2017	January 1, 2017
Revenue	(millions of yen)	1,850,316	1,751,038	—
Profit before income taxes	(millions of yen)	197,230	214,007	—
Profit attributable to owners of the parent	(millions of yen)	138,595	134,160	—
Comprehensive income attributable to owners of the parent	(millions of yen)	87,544	148,460	—
Equity attributable to owners of the parent	(millions of yen)	1,339,850	1,291,094	1,193,765
Total equity	(millions of yen)	1,426,433	1,375,568	1,267,074
Total assets	(millions of yen)	2,895,655	2,832,364	2,633,780
Equity attributable to owners of the parent per share	(yen)	1,087.44	1,046.55	962.17
Earnings per share attributable to owners of the parent:				
Basic	(yen)	112.44	108.45	—
Diluted	(yen)	112.44	—	—
Ratio of equity attributable to owners of the parent to total assets	(%)	46.3	45.6	45.3
Ratio of profit attributable to owners of the parent to equity attributable to owners of the parent	(%)	10.5	10.8	—
Price earnings ratio	(times)	13.89	20.37	—
Net cash provided by operating activities	(millions of yen)	89,148	137,185	—
Net cash used in investing activities	(millions of yen)	(58,756)	(45,984)	—
Net cash used in financing activities	(millions of yen)	(27,816)	(32,575)	—
Cash and cash equivalents, at the end of the year	(millions of yen)	229,123	230,720	169,416
Number of employees (Average number of part-time employees)	(number of persons)	40,202 (3,004)	39,410 (3,031)	38,291 (—)

(Notes)

1. Beginning with the 129th business term, the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").
2. Revenues do not include consumption taxes.
3. Amounts less than presentation units are rounded.
4. *Earnings per share attributable to owners of the parent—Diluted* for the year ended December 31, 2017 are not stated because Kubota Corporation did not have potentially dilutive common shares that were outstanding during the period.

Fiscal period		128th Business term	127th Business term	126th Business term	125th Business term	124th Business term
		U.S. GAAP				
Period ended		December 2017	December 2016	December 2015	March 2015	March 2014
Revenues	(millions of yen)	1,751,535	1,596,091	1,244,775	1,584,265	1,510,528
Income before income taxes and equity in net income of affiliated companies	(millions of yen)	212,901	196,971	169,504	210,709	212,382
Net income attributable to Kubota Corporation	(millions of yen)	136,445	132,485	110,107	139,534	132,666
Comprehensive income	(millions of yen)	166,441	112,599	82,060	228,886	188,044
Kubota Corporation shareholders' equity	(millions of yen)	1,301,345	1,198,761	1,140,310	1,100,079	935,757
Total equity	(millions of yen)	1,385,435	1,271,925	1,218,558	1,178,466	1,001,575
Total assets	(millions of yen)	2,853,930	2,670,582	2,532,926	2,472,163	2,110,687
Kubota Corporation shareholders' equity per common share	(yen)	1,054.86	966.19	916.28	883.10	748.76
Net income attributable to Kubota Corporation per common share:						
Basic	(yen)	110.30	106.58	88.47	111.68	105.74
Diluted	(yen)	—	—	—	—	—
Kubota Corporation shareholders' equity ratio	(%)	45.6	44.9	45.0	44.5	44.3
Return on equity	(%)	10.9	11.3	9.8	13.7	15.3
Price earnings ratio	(times)	20.03	15.65	21.34	17.04	12.93
Net cash provided by operating activities	(millions of yen)	222,288	184,978	197,040	85,880	82,981
Net cash used in investing activities	(millions of yen)	(130,339)	(167,525)	(130,307)	(117,227)	(104,555)
Net cash provided by (used in) financing activities	(millions of yen)	(32,575)	11,364	(27,671)	47,994	6,771
Cash and cash equivalents, end of period	(millions of yen)	230,720	169,416	146,286	112,428	88,405
Number of employees (Average number of part-time employees)	(number of persons)	39,410 (3,031)	38,291 (3,280)	36,233 (3,650)	35,487 (3,981)	33,845 (4,623)

(Notes)

1. The consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") until the 128th business term.
2. Revenues do not include consumption taxes.
3. Amounts less than presentation units are rounded.
4. *Net income attributable to Kubota Corporation per common share—Diluted* is not stated because Kubota Corporation did not have potentially dilutive common shares that were outstanding during the period.
5. Kubota Corporation changed its fiscal year-end from March 31 to December 31 from the 126th business term. The same changes in the fiscal year ends were made to subsidiaries in Japan that had fiscal year ends other than December 31. Accordingly, the 126th business term, the transitional period for the change in the fiscal year end, was the nine-month period that commenced on April 1, 2015 and ended on December 31, 2015. In addition, certain subsidiaries and an affiliate aligned their reporting periods, which were previously consolidated using their own reporting periods, to that of Kubota Corporation. To reflect the impact of these changes, the Company has retrospectively adjusted the consolidated financial statements for all periods presented.
6. The Company adopted a new accounting standard related to debt issuance costs on January 1, 2016. To reflect the impact of the adoption, the Company has retrospectively adjusted the consolidated financial statements for all periods presented.

2. History

Month/Year	History
Feb. 1890	Founder Gonshiro Kubota established Kubota Tekko-jo in Okuraato-cho, Minami-ku, Osaka, JAPAN and started manufacturing and sales of various cast metal products.
Jul. 1893	Started production of cast iron pipes for water supply.
Feb. 1922	Started production of compact engines for agro-industrial purposes.
Feb. 1927	Acquired Sumidagawa Seitetsuzyo K.K. and expanded the cast iron pipes business.
Dec. 1930	Established K.K. Kubota Tekko-jo and K.K. Kubota Tekko-jo Machinery Department.
Mar. 1937	Consolidated K.K. Kubota Tekko-jo Machinery Department with K.K. Kubota Tekko-jo.
Nov. 1937	Established Sakai Plant and started mass-production of engines for agro-industrial purposes.
Oct. 1940	Established Mukogawa Plant and expanded the industrial machinery business, and started production of casting of centrifugal cast-iron pipes the following October.
May. 1949	Listed on the Tokyo Stock Exchange and Osaka Securities Exchange (integrated with Tokyo Stock Exchange in Jul. 2013).
Aug. 1950	Adopted divisionalized organization by product.
Dec. 1952	Started production of pumps in Mukogawa Machinery Plant.
Jun. 1953	Changed corporate name to Kubota Tekko K.K.
Apr. 1954	Established a plant for vinyl pipes and started full production of plastic pipes.
Nov. 1957	Established Kubota Kenzai Kogyo K.K. and advanced into the housing materials business.
Dec. 1960	Established Funabashi Plant (relocated from Sumidagawa Plant) and completed a mass-production system of cast iron pipes.
May. 1961	Established Water Laboratory. Also established the Water Treatment Division for full-scale entry into the environmental improvement business the following December.
May. 1962	Established Hirakata machinery Plant and Hirakata steel casting Plant and completed building an integrated system for industrial machinery and steel casting products.
Jan. 1967	Established Odawara Plant. Absorbed manufacturing sector of Kubota Kenzai Kogyo K.K. for full-scale entry into the housing materials business in June of the same year.
May. 1969	Established Utsunomiya Plant and completed a mass-production system of rice transplanters and reaper binders.
Jun. 1972	Absorbed Kanto Daikei Koukan K.K. Changed its name to Ichikawa Plant and continued to manufacture spiral welded steel pipes.
Sep. 1972	Established Kubota Tractor Corporation in the U.S. and strengthened the selling system of tractors in North America.
Sep. 1973	Established Kyuhoji Plant as a plant for precision equipment by relocating manufacturing facilities from Funademachi Plant.
Mar. 1974	Established Kubota Tractor Europe S.A. (currently Kubota Europe S.A.S.) in France and strengthened the selling system for farm equipment in Europe.
Aug. 1975	Established Tsukuba Plant as a specialized mass production factory for tractors.
Nov. 1976	Listed on the New York Stock Exchange (delisted from it in Jul. 2013).
Apr. 1980	Established Kashima Plant as a specialized factory for siding materials.
Jan. 1985	Established Sakai-Rinkai Plant in Sakai Plant as a specialized factory for engines.
Apr. 1990	Changed its corporate name to Kubota Corporation.
Oct. 2002	Established Hanshin Office as a hub for environmental engineering in the Kansai area.
Dec. 2003	Separated the housing materials business and Kubota Matsushitadenko Exterior Works, Ltd. (currently KMEW Co., Ltd.), took over its business.
Aug. 2004	Acquired additional shares of The Siam Kubota Industry Co., Ltd. (currently SIAM KUBOTA Corporation Co., Ltd.), which had been an affiliate in Thailand, to make it a consolidated subsidiary and strengthened development, manufacturing, and sales of farm equipment in Southeast Asia.
Apr. 2005	Established Kubota-C.I. Co., Ltd. by business integration of plastic pipes with C.I. Kasei Co., Ltd. (currently Kubota ChemiX Co., Ltd.).
Sep. 2007	Established Siam Kubota Tractor Co., Ltd. (currently SIAM KUBOTA Corporation Co., Ltd.) as a manufacturing base for tractors in Thailand.
Dec. 2009	Established Kubota Saudi Arabia Company, LLC as a hub for the steel casting business in Saudi Arabia.
Mar. 2012	Acquired ownership interest in Kverneland ASA (currently Kverneland AS), a manufacturer of upland farming implements in Norway, and made it a consolidated subsidiary.
Dec. 2013	Established Kubota Farm Machinery Europe S.A.S. in France as a manufacturing base for upland farming tractors.
Jul. 2016	Acquired ownership interest in Great Plains Manufacturing, Inc., a manufacturer of implements in the U.S., and made it a consolidated subsidiary.

3. Description of Business

The Company is comprised of Kubota Corporation and 185 affiliates (as of December 31, 2018, 172 subsidiaries and 13 equity method affiliates) and engages in various fields of business and industry by providing products and services which are categorized into three segments: Farm & Industrial Machinery, Water & Environment, and Other as of December 31, 2018.

The Company's consolidated financial statements are prepared in accordance with IFRS. Subsidiaries and equity method affiliates included in the scope of consolidation are defined in accordance with these accounting principles. The same applies to *2. Business Overview, 3* and *Property, Plant, and Equipment.*

The businesses and roles of the Company by reporting segment are as follows:

(1) Farm & Industrial Machinery

Farm & Industrial Machinery mainly engages in manufacturing and sales of products which are comprised of farm equipment, agricultural-related products, engines, and construction machinery.

1) Main Products

Farm equipment and agricultural-related products	Tractors, Power tillers, Combine harvesters, Rice transplanters, Turf equipment, Utility vehicles, Other agricultural machineries, Implements, Attachments, Post-harvest machineries, Vegetable production equipment, Other equipment for agricultural use, Cooperative drying facilities, Rice seedling facilities, Rice mill plants, Gardening facilities, Scales, Weighing and measuring control systems, Air-conditioning equipment, and Air purifier with humidification function
Engines	Engines (for farming, construction, industrial machinery, and generators)
Construction machinery	Mini excavators, Wheel loaders, Compact track loaders, Skid steer loaders, and Other construction machinery-related products

2) Main Affiliates

(Manufacturing and Sales)

(Domestic) Kubota Air Conditioner, Ltd.

(Overseas) Kubota Manufacturing of America Corporation
Kubota Industrial Equipment Corporation
Great Plains Manufacturing, Inc. and its 19 subsidiaries
Kubota Farm Machinery Europe S.A.S.
Kubota Baumaschinen GmbH
Kverneland AS and its 34 subsidiaries
Kubota Agricultural Machinery (SUZHOU) Co., Ltd.
Kubota Construction Machinery (Wuxi) Co., Ltd.
SIAM KUBOTA Corporation Co., Ltd.
KUBOTA Engine (Thailand) Co., Ltd.

(Sales and Other Services)

(Domestic) 12 farm equipment sales companies including Hokkaido Kubota Corporation
KUBOTA Construction Machinery Japan Corporation

(Overseas) Kubota North America Corporation
Kubota Tractor Corporation
Kubota Engine America Corporation
Kubota Canada Ltd.
Kubota Holdings Europe B.V.
Kubota Europe S.A.S.
Kubota (Deutschland) GmbH
Kubota (U.K.) Ltd.
Kubota Australia Pty Ltd.

(Financial Leasing)

(Domestic) Kubota Credit Co., Ltd.

(Overseas) Kubota Credit Corporation, U.S.A.

Siam Kubota Leasing Co., Ltd.

(2) Water & Environment

Water & Environment mainly engages in manufacturing and sales 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 casting, ceramics, spiral welded steel pipes, and other products).

1) Main Products

Pipe-related products	Ductile iron pipes, Plastic pipes, Pumps and plants, Valves, Single stack drain fittings, and Design and construction of construction works
Environment-related products	Waste water treatment equipment and plants, Membrane solutions, Water purification plants, Night-soil treatment plants, Waste incinerating and melting plants, Waste shredding and sorting plants, Flue gas desulfurization apparatus, Membrane methane fermentation plants, Wastewater treatment plant (Johkasou), and Bathtubs
Social infrastructure-related products	Reformer and cracking tubes, Hearth rolls, Rolls for steel mills, Ceramics, TXAX (friction materials), and Spiral welded steel pipes (steel pipe piles, steel pipe sheet piles)

2) Main Affiliates

(Manufacturing and Sales)

(Domestic) Kubota ChemiX Co., Ltd.

NIPPON PLASTIC INDUSTRY CO., LTD.

(Overseas) Kubota Materials Canada Corporation

Kubota Saudi Arabia Company, LLC

(Maintenance and Repair)

(Domestic) Kubota Environmental Service Co., Ltd.

(Design and Construction)

(Domestic) Kubota Construction Co., Ltd.

(3) Other

Other mainly engages in offering a variety of other services.

1) Main Products

Other	Services, such as logistics, financing, and roofing and siding materials

2) Main Affiliates

(Manufacturing and Sales)

(Domestic) KMEW Co., Ltd.

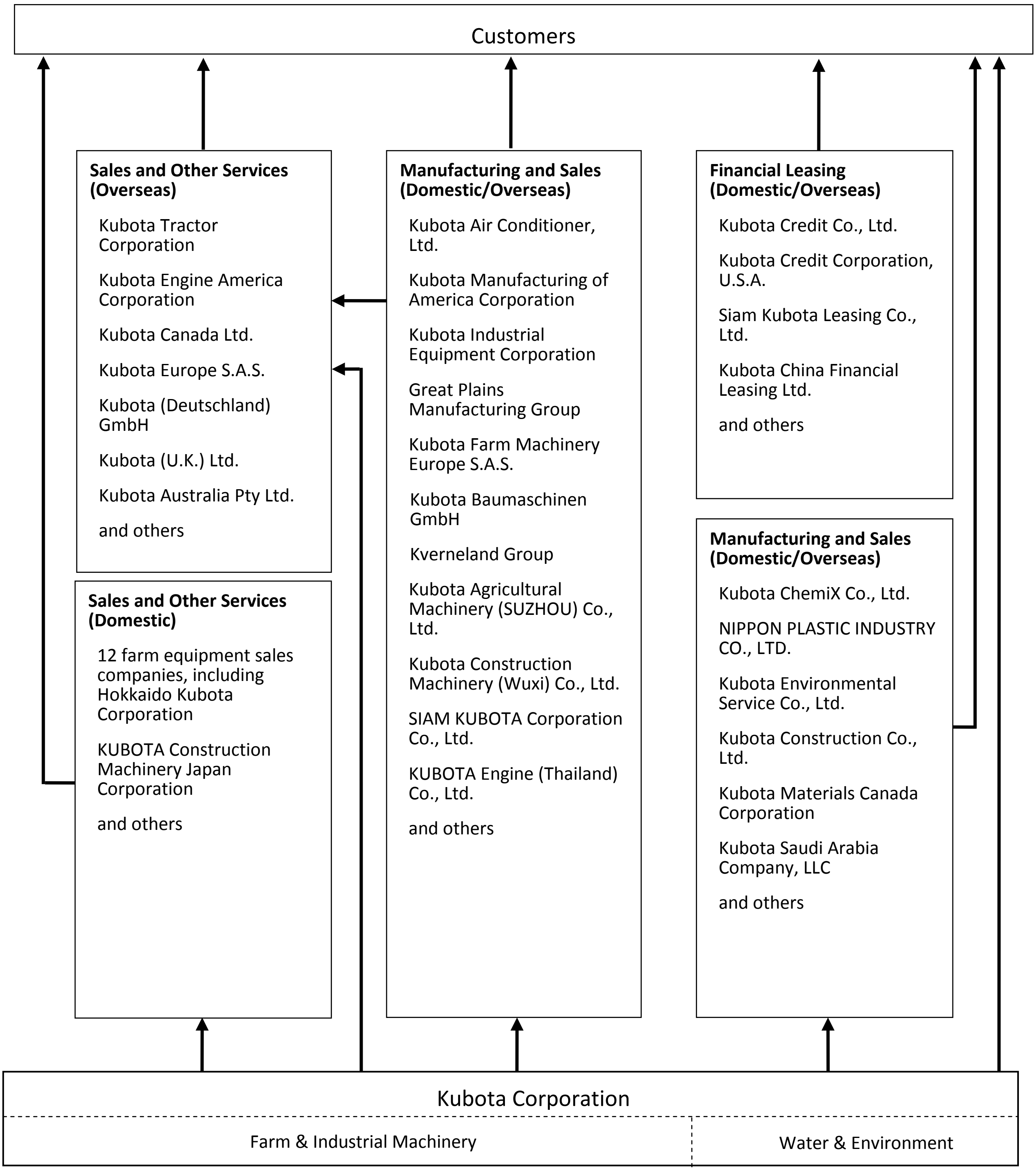
(Other Services)

(Domestic) KUBOTA LOGISTICS Corporation

(Overseas) Kubota China Holdings Co., Ltd.,

Kubota China Financial Leasing Ltd.

(Business distribution diagram)



4. Information on Affiliates

(As of December 31, 2018)

Company name	Location	Common stock (millions of yen)	Principal business activities	Ownership percentage of voting rights (%)	Relationship: Business transaction, etc.
(Subsidiaries)					
5 domestic farm equipment sales companies, including Hokkaido Kubota Corporation	Nishi-ku, Sapporo, JAPAN, etc.	100	Sales of farm equipment, etc.	85.0	Lease of facilities from Kubota Corporation and sales of Kubota Corporation's products
KUBOTA Construction Machinery Japan Corporation	Naniwa-ku, Osaka, JAPAN	300	Sales of construction machinery, etc.	100.0	Lease of facilities from Kubota Corporation and sales of Kubota Corporation's products
Kubota Credit Co., Ltd.	Naniwa-ku, Osaka, JAPAN	500	Retail financing to purchasers of farm equipment and related products	(22.9) 77.8	Loans from Kubota Corporation, lease of facilities from Kubota Corporation, credit guarantees, and interlocking Directors
KUBOTA Seiki Co., Ltd.	Mihara-ku, Sakai, JAPAN	480	Manufacturing and sales of hydraulic equipment	100.0	Material supplies to Kubota Corporation
Kubota Machinery Trading Co., Ltd.	Naniwa-ku, Osaka, JAPAN	30	Export and import of repair parts related to farm equipment, engines, and construction machinery	100.0	Lease of facilities from Kubota Corporation and material supplies to Kubota Corporation
Kubota Engine Japan Corporation	Naniwa-ku, Osaka, JAPAN	310	Sales, service, and engineering of industrial engines	100.0	Lease of facilities from Kubota Corporation and sales of Kubota Corporation's products
Kubota Air Conditioner, Ltd.	Chuo-ku, Tokyo, JAPAN	400	Manufacturing, sales, and maintenance of air conditioning equipment for business use	100.0	Loans from Kubota Corporation and lease of facilities from Kubota Corporation
Kubota North America Corporation (Note 3)	Delaware, U.S.A.	(thousands of USD) 597,100	Administration of subsidiaries in North America	100.0	Interlocking Directors
Kubota Tractor Corporation (Note 3) (Note 4)	Texas, U.S.A.	(thousands of USD) 37,000	Sales of tractors, outdoor power equipment, construction machinery, and implements	(100.0) 100.0	Sales of Kubota Corporation's products and interlocking Directors
Kubota Credit Corporation U.S.A.	Texas, U.S.A.	(thousands of USD) 8,000	Retail financing to purchasers of tractors, outdoor power equipment, construction machinery, and implements	(90.0) 100.0	Interlocking Directors
Kubota Manufacturing of America Corporation	Georgia, U.S.A.	(thousands of USD) 10,900	Manufacturing of tractors and outdoor power equipment	(100.0) 100.0	Interlocking Directors
Kubota Industrial Equipment Corporation	Georgia, U.S.A.	(thousands of USD) 70,000	Manufacturing of implements, tractors, and construction machinery	(100.0) 100.0	Interlocking Directors
Kubota Engine America Corporation	Illinois, U.S.A.	(thousands of USD) 10,000	Sales, engineering, and after-sales service of engines, engine parts, and engine accessories	(100.0) 100.0	Sales of Kubota Corporation's products and interlocking Directors
Kubota Insurance Corporation	Hawaii, U.S.A.	(thousands of USD) 2,000	Underwriting non-life insurance in the U.S.	(100.0) 100.0	Interlocking Directors
Great Plains Manufacturing, Inc. and its 19 subsidiaries	Kansas, U.S.A.	(thousands of USD) 90	Manufacturing and sales of implements	(100.0) 100.0	Interlocking Directors

Kubota Canada Ltd.	Ontario, CANADA	(thousands of CAD) 6,000	Sales of tractors, outdoor power equipment, construction machinery, and implements	100.0	Sales of Kubota Corporation’s products and interlocking Directors
Kubota Holdings Europe B.V. (Note 3)	Noord-Holland, NETHERLANDS	(thousands of EUR) 487,188	Administration of subsidiaries in Europe	100.0	Interlocking Directors
Kubota Europe S.A.S.	Val-d’Oise, FRANCE	(thousands of EUR) 11,167	Sales of construction machinery, tractors, outdoor power equipment, and engines	(100.0) 100.0	Sales of Kubota Corporation’s products and interlocking Directors
Kubota Farm Machinery Europe S.A.S.	Nord, FRANCE	(thousands of EUR) 57,000	Manufacturing of upland farming tractors	(100.0) 100.0	
Kubota Baumaschinen GmbH	Rhineland-Palatinate, GERMANY	(thousands of EUR) 14,316	Manufacturing and sales of construction machinery	(100.0) 100.0	Purchase of Kubota Corporation’s products
Kubota (Deutschland) GmbH	Hessen, GERMANY	(thousands of EUR) 3,579	Sales of tractors, outdoor power equipment, and engines	(100.0) 100.0	Sales of Kubota Corporation’s products and interlocking Directors
Kubota (U.K.) Ltd.	Oxfordshire, U.K.	(thousands of GBP) 2,000	Sales of construction machinery, tractors, outdoor power equipment, and engines	(100.0) 100.0	Sales of Kubota Corporation’s products
Kubota Norway Holdings AS	Oslo, NORWAY	(thousands of NOK) 343,200	A subsidiary established for acquisition	(100.0) 100.0	Interlocking Directors
Kverneland AS and its 34 subsidiaries	Rogaland, NORWAY	(thousands of EUR) 53,090	Manufacturing and sales of agricultural implements	(100.0) 100.0	Interlocking Directors
SIAM KUBOTA Corporation Co., Ltd. (Note 3)	Pathumthani, THAILAND	(thousands of THB) 2,739,000	Manufacturing and sales of tractors, combine harvesters, implements, and horizontal type diesel engines Sales of construction machinery	60.0	Purchase of Kubota Corporation’s products and interlocking Directors
Siam Kubota Leasing Co., Ltd.	Pathumthani, THAILAND	(thousands of THB) 2,000,000	Retail financing to purchasers of tractors and combine harvesters, etc.	(100.0) 100.0	Interlocking Directors
KUBOTA Engine (Thailand) Co., Ltd.	Chachoengsao, THAILAND	(thousands of THB) 1,400,000	Manufacturing of vertical type diesel engines	100.0	Interlocking Directors
Kubota Agricultural Machinery (SUZHOU) Co., Ltd.	Jiangsu, CHINA	(thousands of RMB) 170,999	Manufacturing and sales of combine harvesters, rice transplanters, and tractors	(100.0) 100.0	Purchase of Kubota Corporation’s products and interlocking Directors
Kubota Construction Machinery (Wuxi) Co., Ltd.	Jiangsu, CHINA	(thousands of RMB) 289,035	Manufacturing of construction machinery	(100.0) 100.0	Interlocking Directors
Kubota Korea Co., Ltd.	Seoul, KOREA	(thousands of KRW) 200,000	Sales of tractors, combine harvesters, rice transplanters, construction machinery, and engines	100.0	Sales of Kubota Corporation’s products
Kubota Myanmar Co., Ltd.	Yangon, MYANMAR	(thousands of USD) 23,800	Sales of combine harvesters and tractors	(20.0) 100.0	Sales of Kubota Corporation’s products and interlocking Directors
Kubota Australia Pty Ltd.	Victoria, AUSTRALIA	(thousands of AUD) 6,000	Sales of tractors, outdoor power equipment, construction machinery, and engines	80.0	Sales of Kubota Corporation’s products
Kubota ChemiX Co., Ltd.	Naniwa-ku, Osaka, JAPAN	3,198	Manufacturing and sales of plastic pipes and fittings	(0.2) 100.0	Loans from Kubota Corporation, lease of facilities from Kubota Corporation, and interlocking Directors

Kubota Environmental Service Co., Ltd.	Chuo-ku, Tokyo, JAPAN	90	Operation, maintenance, design, construction, remodeling, repair, and modifying of water treatment facilities, sanitation facilities, and waste treatment facilities	100.0	Lease of facilities from Kubota Corporation, maintenance, and remodeling and repair of facilities constructed by Kubota Corporation,
NIPPON PLASTIC INDUSTRY CO., LTD.	Komaki-shi, Aichi, JAPAN	175	Manufacturing and sales of plastic products	(67.0) 67.0	
Kubota Construction Co., Ltd.	Naniwa-ku, Osaka, JAPAN	400	Design and construction of water and sewage, civil engineering	100.0	Loans from Kubota Corporation, lease of facilities from Kubota Corporation, contracting and construction of Kubota Corporation's works, and interlocking Directors
Kubota Materials Canada Corporation	Ontario, CANADA	(thousands of CAD) 15,000	Manufacturing and sales of cast steel products and TXAX products	100.0	Purchase of Kubota Corporation's products
Kubota Saudi Arabia Company, LLC	Ash Sharqiyah, SAUDI ARABIA	(thousands of SAR) 56,250	Manufacturing and sales of steel casting products, sales of pumps and valves, and maintenance of valves	51.0	Purchase of Kubota Corporation's products and debt guarantees
KUBOTA SYSTEMS INC.	Naniwa-ku, Osaka, JAPAN	400	Development of system, data processing service, and sales of hardware	100.0	Lease of facilities from Kubota Corporation, and development of system and data processing service
KUBOTA LOGISTICS Corporation	Naniwa-ku, Osaka, JAPAN	75	Management of logistics and logistics information service related to transportation, storage, cargo handling, and distribution processing	100.0	Lease of facilities from Kubota Corporation, and transportation and storage of Kubota Corporation's products
Heiwa Kanzai Co., Ltd.	Chuo-ku, Tokyo, JAPAN	50	Building maintenance, security guarding, and facility management	60.0	Lease of facilities from Kubota Corporation and contracting on building maintenance of Kubota Corporation
Kubota China Holdings Co., Ltd. (Note 3)	Shanghai, CHINA	(thousands of RMB) 1,701,861	Administration of subsidiaries in China	100.0	Interlocking Directors
Kubota China Financial Leasing Ltd.	Shanghai, CHINA	(thousands of RMB) 527,092	Finance leasing of construction machinery and farm equipment, and factoring service	(100.0) 100.0	Interlocking Directors
71 other companies					
(Equity method affiliates)					
6 domestic farm equipment sales companies, including Akita Kubota Corporation	Akita-shi, Akita, JAPAN, etc.	60	Sales of farm equipment, etc.	35.7	Lease of facilities from Kubota Corporation and sales of Kubota Corporation's products
KMEW Co., Ltd.	Chuo-ku, Osaka, JAPAN	8,000	Manufacturing and sales of roofing, siding materials, and rain gutters	50.0	Lease of facilities from Kubota Corporation and interlocking Directors
5 other companies					

(Notes)

1. There is no company which files an annual securities report.
2. The amounts in parentheses in the upper row of the *Ownership percentage of voting right*s column represent the percentage of voting rights owned by subsidiaries out of the total ownership percentage.
3. Specified companies under the Financial Instruments and Exchange Act of Japan
4. Revenues of Kubota Tractor Corporation (excluding intercompany transfers) exceeded 10% of total consolidated revenue of the

Company. Its major financial data for the year ended December 31, 2018 were: revenue, ¥391,929 million; income before income taxes, ¥17,049 million; and net income, ¥12,867 million; and at December 31, 2018 were: total equity, ¥185,337 million; and total assets, ¥356,827 million.

5. Employees

(1) Consolidated basis

(As of December 31, 2018)

Reporting segment	Number of employees	
Farm & Industrial Machinery	29,929	(2,505)
Water & Environment	7,060	(272)
Other	1,591	(227)
Corporate	1,622	(—)
Total	40,202	(3,004)

(Note)

The number of employees refers solely to full-time employees of the Company on a consolidated basis. In addition, the number in parentheses in the "Number of employees" column is the average number of part-time employees for the fiscal year.

(2) Kubota Corporation

(As of December 31, 2018)

Number of employees	Average age	Average length of service	Average annual salary
11,226	40.6	15.5 years	¥ 7,937,899

Reporting segment	Number of employees
Farm & Industrial Machinery	6,837
Water & Environment	2,767
Corporate	1,622
Total	11,226

(Notes)

1. The number of employees refers solely to full-time employees of Kubota Corporation.
2. Average annual salary includes bonuses and extra wages.

(3) Relationship with labor unions

The relationship between management and labor unions is quite stable and smooth.

2. Business Overview

1. Business Issues to Address

The Company's long-term goal is to become a Global Major Brand, or in other words, a brand that can make the greatest social contribution as a result of being trusted by the largest number of customers. Going forward, the Company continues to dedicate all its strength to establishing the Global Major Brand Kubota, with the aim of making the greatest contribution to success of the Sustainable Development Goals ("SDGs") promoted by the United Nations and achieving sustainable development over the long-term. In order to achieve these goals, the Company will continue striving to thoroughly implement its Priority Onsite approach and Customer First Principle, and promote the following priority measures.

(1) Establishment of a Management Foundation Conducive to Becoming a Global Major Brand

The Company urgently needs to establish a management foundation conducive to becoming a Global Major Brand, and will accordingly take action, in particular, to promptly upgrade its R&D framework, production and procurement framework, and information systems promptly.

As for its R&D framework, the Company will continue to enhance and expand its R&D resources while also taking steps to shorten development timelines and improve quality by building a framework that enables it to maximize results using limited resources. In Japan, the Company will embark on efforts to establish R&D centers central to its global R&D framework while taking strides toward integrating and streamlining dispersed operations and enhancing its strengths in developing growth businesses and advanced technologies. Overseas, the Company will continue to develop and expand its respective global R&D centers through initiatives such as launching full-scale operations of a new R&D center in Europe.

As for the production and procurement framework, the Company will move forward to establish highly efficient production systems for each business. Furthermore, by working in conjunction with its suppliers to improve quality, reduce costs, and shorten lead time, the Company is working to improve procurement quality and stabilize supply. The Company is also aiming to complete countermeasures promptly in response to natural disasters that frequently occur, as well as large earthquakes that are likely to strike, by revamping its business continuity plans and thoroughly implementing such countermeasures.

As for information systems, the Company will establish a new information and communications technology headquarters and steadily carry out development of systems geared to advancing and upgrading cutting-edge mission-critical systems to help enhance the Company's business structure and competitiveness, and boost customer satisfaction, while strengthening governance of information technology-related organizations.

(2) Steady Development of Growth Businesses and Enhancement of Business Structure in the Farm and Industrial Machinery Businesses

In the farm equipment business, the Company will take steps to strengthen its foundations by developing new large-sized upland farming tractors and enhancing the competitiveness and profitability of its current models. Moreover, in order to generate growth resources, we will focus on expanding sales and profitability of small- and mid- sized tractors, which have high profitability, while also expanding our growing lineup of products, such as turf-related equipment and utility vehicles (multipurpose four-wheel drive vehicles). In regard to emerging markets, the Company will intensify efforts with respect to business in India, where the decision has been made to have a joint-venture company handle tractor production locally, while also expanding its lineup of tractors for emerging markets. As for the combine harvesters and rice transplanters business, the Company will focus on rebuilding the China business for the time being. The Company will secure profits by eliminating waste and thoroughly cutting costs, even if demand does not recover. In conjunction with that, the Company will strengthen its medium-term growth foundations by improving the profitability of its wheel combine harvester, which is a growing product; developing new products that meet market needs; and upgrading services.

With respect to the farm equipment business in Japan, the Company aims to substantially improve profitability by boosting its market share and thoroughly enhancing its business structure. Meanwhile, the Company will also accelerate its evolution into a comprehensive agriculture services business covering not only sales of farm equipment, but also peripherals, maintenance, services, and solutions in terms of agriculture. As part of these efforts, the Company will work to establish a leading position in the ICT agricultural equipment field by promoting efforts that include developing forward-looking technologies; upgrading the Kubota Smart Agri System ("KSAS"); which draws on information and communication technology; developing global precision farming technologies; and building next-generation integrated control systems for such equipment and implements.

The construction machinery business made solid progress in all major markets and has grown into a business with a global presence in all major markets. The Company will continue to concentrate resources aggressively in the construction machinery business as a field which has high potential for growth in the future. The Company will expand its business domain and strengthen its business structure by steadily expanding its product lineup, promoting model changes, and accelerating R&D.

In the engine business, the Company has expanded its business significantly by steadily working to meet the requirement of emissions regulations in each country and offering an extensive product lineup that meets the various needs of its customers. In order to achieve further growth in the future, the Company will accelerate the development of large-sized engines and respond to the trend toward cleaner and more eco-friendly engines. At the same time, the Company will work to build the most advanced production system in the industry in order to respond to growing demand.

(3) Revamping of the Organizational Framework and Enhancement of the Business Structure in the Water & Environment Business

In the Water & Environment business, the Company will reorganize the organization into the pipe systems and infrastructure business and the environmental business, while also focusing efforts on securing business results by thoroughly enhancing its business structure.

In the pipe systems and infrastructure business, the Company will drastically strengthen its business structure by rationalizing and streamlining operations through integrated management of the pipe systems business and the industrial castings business and the spiral-welded steel pipes business. To address drastically falling domestic demand for ductile iron pipes and other such products, the Company will promptly complete its efforts with respect to innovating manufacturing and logistics processes, as well as revamping overall operations, including marketing, installation, and other such operations. The Company also aims to improve business performance promptly by continuing to promote conceptual themes that will help secure business results, such as blanket orders for design and installation and pipeline upgrade work, as well as by promoting reform of business structures in response to changes in the market. The Company will also drastically reform growing overseas production sites in the industrial castings business.

In the environmental business, the Company aims to establish itself as the top brand of a Comprehensive Environmental Infrastructure Company. The company will leverage its strengths to create projects in the fields of water solutions, environmental conservation, and energy generation, and steadily promote large projects currently in progress, such as its project for decreasing volume of radioactive-contaminated waste in Fukushima Prefecture. Moreover, the Company will expand sales of plants and equipment, streamline the maintenance business, and shore up relationships with customers by further developing its Kubota Smart Infrastructure System ("KSIS") services, which involve providing comprehensive solutions that make use of IoT technologies in the field of water and environment, and by creating new customer value. As for the membrane solutions and wastewater treatment plants (Johkasou) business, where overseas growth is materializing, the Company is focusing its efforts on building an efficient and effective management framework to realize further sales expansion.

(4) Improvement of Profitability and Enhancement of the Business Structure

Despite steady increases in sales, the Company has regretted very much that it was unable to achieve improvement in profitability. As such, the Company will more stringently implement its policy of focusing on prioritizing expansion of its profits in order to fulfill its responsibilities to all of its stakeholders through increasing sustainable corporate value.

In order to restore profitability of its domestic operations, the Company will develop and provide products and services that anticipate the real needs of customers and work to strengthen its business structure by curbing all business costs drastically through appropriately addressing changes in social structure associated with a declining population and aging society. Furthermore, the Company will optimize the allocation of human resources by shifting personnel between business divisions or between domestic and overseas businesses in response to the ongoing contraction of demand.

In deploying the Kubota Production System ("KPS"), the Company will accelerate efforts geared forward building an efficient production framework at the highest level in the world by improving the entire process from front-end process, including procurement and logistics, to back-end process, where products reach customers, from a perspective of overall optimization. Moreover, in deploying KPS throughout the entire Company and all of its departments, including the indirect departments, the Company will seek to maximize value-added operations by thoroughly reducing unnecessary work and standardizing and streamlining operations through the projects in progress.

In terms of reducing inventories, we will promote organizational and structural reductions that are not affected by one-time factors.

2. Risk Factors

The Company considers that the following risks may adversely affect the Company's results of operations and financial condition. Forward-looking statements contained in this section are made based on the assumptions as of the current fiscal year end.

(1) Declines in economic conditions in the Company's major markets, including private-sector capital expenditures, construction investment, and domestic public investment, may adversely impact the results of operations of the Company.

Industrial and capital goods make up a substantial portion of the Company's products. Accordingly, the Company may see reduced demand resulting from declines in general economic conditions, including private-sector capital expenditures, construction investment, and domestic public investment. In addition, the agricultural policies set by the national government may adversely affect domestic sales of agriculture-related products. In the overseas markets, especially those of North America and Europe, sales of the Company's products, such as utility/compact tractors, may decrease due to declines in general economic conditions, including private consumption and residential construction investment in those regions.

(2) If the prices of raw materials increase or the Company has difficulties in procuring adequate supplies of raw materials, there may be a material adverse effect on the Company's results of operations.

The Company purchases substantial raw materials and parts from outside suppliers. If the prices of raw materials substantially increase due to the supply and demand gap and changes in the market conditions and stay at high levels for a long time, they may have an adverse effect on the Company's profitability. Also, if the Company has difficulties in procuring adequate supplies of raw materials and parts, there may be a material adverse effect on the Company's results of operations due to difficulties in production and sales activities.

(3) The risks associated with international operations may adversely affect the Company's results of operations.

In some businesses of the Company, substantial overseas operations are conducted. Accordingly, the Company is subject to a number of risks inherent in conducting business in those markets. Such risks may cause the Company to face difficulties in stable production and sales of products in the overseas markets that may affect the Company's results of operations or which may hinder growth of the Company in specific countries. The following risks are serious concerns for the Company:

1) Unexpected changes in international or an individual country's tax regulations;
2) Unexpected legal or regulatory changes in a country;
3) Unexpected results of transfer pricing issues or negotiation for an advanced pricing agreement;
4) Unexpected changes in government policies for approvals and licenses or subsidy program in certain significant markets;
5) Unexpected changes in import and export duties and quotas over the international trade decided by the negotiation among governments;
6) Difficulties in retaining qualified personnel;
7) Under-qualified technological skills or instability between management and employee unions in developing countries; and

8) Political instability in those countries.

(4) Fluctuations in foreign currency exchange rates, in particular a stronger yen, may adversely affect the Company's results of operations and financial condition.

The Company has overseas revenues and sales, manufacturing, and finance subsidiaries located in foreign countries which significantly contribute to the Company's results of operations and impact the Company's financial condition. Since the transactions between Kubota Corporation and foreign subsidiaries or customers are generally denominated in the local currencies and also the foreign subsidiaries' results of operations, which are prepared in the local currencies and are then consolidated into the Company's consolidated results of operations after translation into Japanese yen, fluctuations in foreign currency exchange rates, in particular a stronger yen against other currencies, may adversely affect the Company's results of operations and financial condition. In order to minimize adverse effects from fluctuations in foreign currency exchange rates, the Company has been transferring its production bases to those countries and regions where its products are actually sold. Also, the Company enters into foreign exchange forward contracts, cross-currency swap contracts, and cross-currency interest rate swap contracts to mitigate its exposure to these risks. Despite the Company's efforts, fluctuations in foreign currency exchange rates may adversely affect the Company's consolidated results of operations and financial condition.

(5) Interest rate hikes may have material adverse effects on the Company's results of operations.

Interest rate hikes may increase the Company's interest expenses, which may have a material adverse effect on the Company's results of operations.

(6) Stock market fluctuations may have a material adverse effect on the Company's results of operations and financial condition.

Stock market declines may cause impairment losses on the Company's investments in marketable securities or cause an increase in actuarial loss on the Company's retirement and pension plans as a result of a decline in the fair value of plan assets, which may have a material adverse effect on the Company's results of operations and financial condition.

(7) If strategic alliances, mergers, and acquisitions do not generate successful results as planned, then the Company's profitability may deteriorate.

The Company expects to use strategic alliances, mergers, and acquisitions to seek further growth. The success of these activities depends on factors such as the Company's business environment, the abilities of its business counterparts, and whether the Company and its counterparts share common goals. Therefore, if these activities are not successful and returns on related investments are lower than expected, the Company's profitability may deteriorate.

(8) The Company is subject to intensifying competitive pressures. Unless the Company performs better than other companies in each of its businesses, the Company's results of operations may decrease in the future.

The Company is exposed to significant competition in each of its businesses. Unless the Company performs better than other companies in areas such as terms of trade conditions, R&D, and quality of goods or services, the Company's results of operations may decrease in the future.

(9) If the Company's products and services are alleged to have serious defects, such allegations may have a material adverse effect on the Company's results of operations and financial condition.

If the Company's products and services are alleged to have serious defects, the Company may be liable for significant damages, and there may be a material adverse effect on the Company's results of operations and financial condition. If such claims are asserted, the Company's reputation and brand value may be damaged, which may cause a decline in demand for its products and result in decreased revenues.

(10) The Company may be required to incur significant expenses in connection with environmental damage that its activities may allegedly cause. Such expenses may have a material adverse effect on the Company's results of operations and financial condition.

Claims may arise that the Company's activities have caused environmental contamination, including the emission of hazardous materials, air pollution, water pollution, and/or soil contamination. In such an event, the Company may elect or be required to implement costly corrective actions to resolve any issues associated with the emission or presence of such hazardous materials or contamination and may face associated litigation. These factors may have a material adverse effect on the Company’s results of operations and financial condition.

<u>(11) If the Company is required to incur significant expenses relevant to asbestos-related issues, then there may be a material adverse effect on the Company’s results of operations, financial condition, and liquidity.</u>

The Company previously manufactured products containing asbestos from 1954 to 2001. If the Company is required to incur additional expenses, including payments to the individuals concerned or expenses arising from litigation related to the asbestos-related health hazards and such expenses become significant, they may result in a material adverse effect on the Company’s results of operations, financial condition, and liquidity.

<u>(12) The Company may experience a material effect on its results of operations and financial condition if it faces issues related to compliance.</u>

The Company has declared its intention to conduct its corporate activities in compliance with legal regulations and ethical principles, and to make efforts to ensure that all management and staff of the group companies comply with various legal regulations, ethical standards, and internal regulations. However, in the event that compliance issues arise, there is a possibility that the Company may be subject to disciplinary action by government ministries supervising its activities or to lawsuits, or may suffer a loss of public confidence, any of which could have a material adverse effect on the Company’s results of operations and financial condition.

<u>(13) Security breaches and other disruptions in the Company’s Information Technology (“IT”) system and networks may have a material adverse effect on the Company’s results of operations and financial condition.</u>

The Company faces certain security threats, including threats to the confidentiality, availability, and integrity of our data and systems. In order to manage such risks, we implemented our information security system, an integrated set of policies, processes, methodologies, teams, and technologies aimed at ensuring appropriate protection of our data. Despite such efforts, if the Company’s IT system and networks are disrupted or experience a security breach, the Company may suffer from an opportunity loss due to production downtime or may be subject to litigation or threat of litigation for information leakage, which in turn may cause a material adverse effect on the Company’s results of operations and financial condition. If such security breaches and other disruptions occur, the Company’s reputation and brand value may be damaged and the Company’s intellectual property may be infringed, which may cause a decline in demand for its products and result in decreased revenues.

<u>(14) The Company may be required to incur considerable expenses in order to comply with various environmental laws and regulations. Such expenses may have a material adverse effect on the Company’s results of operations and financial condition.</u>

The Company is subject to various environmental laws and regulations that apply to its products and activities. If these environmental laws and regulations, such as those that impose carbon dioxide emission controls, other emission controls, and usage restrictions for certain materials which are used in the Company’s products, are strengthened or newly established in jurisdictions in which the Company conducts its businesses, the Company may be required to incur considerable expenses in order to comply with such laws and regulations. Such expenses may have a material adverse effect on the Company’s results of operations and financial condition. To the extent that the Company determines that it is not economical to continue to comply with such laws and regulations, the Company may have to curtail or discontinue its activities in the affected business areas.

<u>(15) If the Company is damaged by natural disasters or other unpredictable events, it may have an adverse effect on the Company’s results of operations and financial condition.</u>

The Company conducts business activities in Japan, North America, Europe, Asia, and other regions. If natural disasters or other unpredictable events, such as earthquakes, tsunamis, floods, typhoons, pandemics, wars, terrorist attacks, fires, information system or communication network breakdowns, or improper operations occur in countries and regions in which the Company operates, the Company’s production, distribution, and sales activities may be disrupted, which could have an adverse effect on the Company's results of operations and financial condition. In particular, Japan is a country with frequent earthquakes, and as a result, the Company has a reasonable probability of suffering from a strong earthquake or tsunami.

3. Analysis of Consolidated Financial Condition, Results of Operations, and Cash Flows by Management

The Company has adopted IFRS instead of U.S. GAAP from the beginning of the fiscal year ended December 31, 2018. The figures for the fiscal year ended December 31, 2017 used in the following analysis were reclassified in accordance with IFRS.

(1) Analysis of Results of Operations

For the year ended December 31, 2018, revenue of the Company increased by ¥99.3 billion (5.7%) from the prior year to ¥1,850.3 billion.

Domestic revenue increased by ¥13.5 billion (2.4%) from the prior year to ¥577.3 billion because of increased revenue in Farm & Industrial Machinery, which was mainly due to strong sales of agricultural-related products and engines. On the other hand, revenue in Water & Environment, whose businesses are mainly related to public works projects, decreased.

Overseas revenue increased by ¥85.7 billion (7.2%) from the prior year to ¥1,273.0 billion mainly due to a significant increase in sales of construction machinery, tractors, and engines along with gradual economic expansion. Sales of industrial castings and ductile iron pipes increased as well. As a result, overseas revenue accounted for 68.8% of consolidated revenue, which increased by 1.0 percent from the prior year.

Operating profit decreased by ¥10.6 billion (5.3%) from the prior year to ¥189.3 billion. This decrease was mainly due to some negative effects from a rise in material prices and increased costs, such as fixed costs, while there was a positive effect from increased sales in the domestic and overseas markets. Profit before income taxes decreased by ¥16.8 billion (7.8%) from the prior year to ¥197.2 billion because operating profit decreased and finance income, which had previously included gain on sales of securities, decreased from the prior year. Income tax expenses decreased by ¥24.1 billion from the prior year to ¥49.1 billion mainly due to the federal corporate tax rate cut in the United States. Profit for the year increased by ¥6.8 billion (4.8%) from the prior year to ¥150.1 billion. Profit attributable to owners of the parent increased by ¥4.4 billion (3.3%) from the prior year to ¥138.6 billion.

Revenues from external customers and operating income by each reportable segment were 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 6.3% from the prior year to ¥1,527.6 billion, and accounted for 82.6% of consolidated revenue.

Domestic revenue increased by 4.9% from the prior year to ¥308.9 billion due to increased sales of farm equipment, agricultural-related products, engines, and construction machinery.

Overseas revenue increased by 6.7% from the prior year to ¥1,218.7 billion. In North America, sales of tractors increased due to continuous expansion of demand. Sales of utility vehicles also increased due to the introduction of a new model. In addition, sales of construction machinery and engines also increased due to solid demand for construction. In Europe, sales of construction machinery and engines increased significantly. In addition, there was a positive effect from the yen depreciation 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 mainly because the price of agricultural products rose and weather during the rainy seasons was generally favorable. In addition, sales of tractors in India increased steadily as well.

Operating profit in this segment was ¥200.9 billion, which was almost at the same level as the prior year, because the positive effect from increased sales in domestic and overseas markets compensated for some negative effects from a rise in steel prices and increased costs, such as fixed costs.

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 2.3% from the prior year to ¥292.3 billion, and accounted for 15.8% of consolidated revenue.

Domestic revenue decreased by 1.0% from the prior year to ¥238.4 billion. Revenue from pipe-related products decreased significantly due to stagnant sales of ductile iron pipes, while revenue from environment-related products and social infrastructure-related products increased.

Overseas revenue increased by 19.9% from the prior year to ¥53.9 billion, mainly due to increased sales of industrial castings, ductile iron pipes, and wastewater treatment plants (Johkasou).

Operating profit in this segment decreased by 18.6% from the prior year to ¥19.9 billion mainly due to a rise in material prices and deterioration of product mix sold resulting from a significant decrease in domestic sales of ductile iron pipes.

3) Other

Other is mainly comprised of a variety of services.

Revenue in this segment increased by 5.3% from the prior year to ¥30.4 billion, and accounted for 1.6% of consolidated revenue.

Operating profit in this segment was ¥3.0 billion, which was almost at the same level as the prior year.

(2) Analysis of Cash Flows

Net cash provided by operating activities during the year ended December 31, 2018 was ¥89.1 billion, a decrease of ¥48.0 billion in net cash inflow compared with the prior year. This decrease resulted from an increase in finance receivables and changes in working capital, such as inventories, while profit for the year increased.

Net cash used in investing activities was ¥58.8 billion, an increase of ¥12.8 billion in net cash outflow compared with the prior year. This increase was 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 payments for acquisition of property, plant, and equipment and intangible assets.

Net cash used in financing activities was ¥27.8 billion, a decrease of ¥4.8 billion in cash outflow compared with 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 December 31, 2018 were ¥229.1 billion, a decrease of ¥1.6 billion from the beginning of the current fiscal year.

(3) Liquidity and Capital Resources

1) Finance and Liquidity Management

The Company’s financial policy is to ensure adequate financing and liquidity for its operations and to maintain the strength of its balance sheets.

Through efficient management of working capital, the Company intends to optimize the efficiency of capital utilization throughout its business operations. The Company seeks to improve its group cash management by centralizing cash management among Kubota Corporation and its overseas financing subsidiaries.

The Company’s internal sources of funds include cash flows generated by operating activities and cash and cash equivalents. In addition, the Company raises funds by borrowings from financial institutions, financing by securitization of receivables, and the issuance of bonds and commercial paper (“CP”) in capital markets, if necessary. The Company’s policy is to finance capital expenditures primarily by internally generated funds and, to a lesser extent, by funds raised through borrowings from financial institutions, etc. The Company has established committed lines of credit totaling ¥20.0 billion with certain Japanese banks, however, the Company currently has not used these lines.

There are restrictive covenants related to the borrowings, including negative pledges, a rating trigger, and minimum net worth. The rating trigger states that the Company shall keep or be higher than the “BBB-” rating by Rating and

Investment Information, Inc. and the minimum net worth covenant states that the Company shall maintain total equity of more than ¥890.3 billion on the consolidated financial statements and more than ¥399.2 billion on the separate financial statements of Kubota Corporation. The Company is in compliance with these restrictive covenants as of December 31, 2018.

All things considered, the Company believes that it can support its current and anticipated capital and operating requirements for the foreseeable future.

2) Assets, Liabilities, and Equity

Assets

Total assets at December 31, 2018 were ¥2,895.7 billion, an increase of ¥63.3 billion from the prior fiscal year end.

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

Liabilities

With respect to liabilities, trade payables increased, while income taxes payable decreased.

Equity

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. The ratio of equity attributable to owners of the parent to total assets stood at 46.3%, 0.7 percent higher than the prior fiscal year end.

(4) Production, Orders Received, and Revenue

1) Production Results

Consolidated production results by reporting segment for the year ended December 31, 2018 were as follows:

Reporting segment	Amount (millions of yen)	Change from the prior year (%)
Farm & Industrial Machinery	¥ 1,489,607	6.5
Water & Environment	286,788	0.3
Other	30,239	4.3
Total	¥ 1,806,634	5.4

(Notes)

1. Intersegment transfers are eliminated.
2. Amounts are recorded at sales price.
3. Amounts do not include consumption taxes.

2) Orders Received

Consolidated orders received by reporting segment for the year ended December 31, 2018 were as follows:

Except for electronic equipped machinery, Farm & Industrial Machinery products are not made-to-order and some Water & Environment and Other products are not made-to-order, either.

Reporting segment	Amount (millions of yen)	Change from the prior year (%)	Balance(millions of yen)	Change from the prior year (%)
Farm & Industrial Machinery	¥ 13,189	10.1	¥ 5,363	89.0
Water & Environment	270,186	11.7	228,613	25.9
Other	4,825	(8.8)	2,014	(6.7)
Total	¥ 288,200	11.2	¥ 235,990	26.5

(Notes)

1. Intersegment transfers are eliminated.
2. Amounts do not include consumption taxes.

3) Revenue

Consolidated revenue by reporting segment for the year ended December 31, 2018 were as follows:

Reporting segment	Amount (millions of yen)	Change from the prior year (%)
Farm & Industrial Machinery	¥ 1,527,629	6.3
Water & Environment	292,281	2.3
Other	30,406	5.3
Total	¥ 1,850,316	5.7

(Notes)

1. Intersegment transfers are eliminated.
2. There was no single customer from whom revenue exceeded 10% or more of the Company's total consolidated revenue for the year ended December 31, 2018 and 2017.
3. Amounts do not include consumption taxes.

4. Material Contracts

(1) Joint venture agreement

The details of contracts for which the Company is a licensee are as follows:

Licensee	Licensor	Country	Contract description	Contract date
Kubota Corporation	Escorts Limited	India	Joint establishment of a tractor manufacturing company (Shareholding rates of Kubota Corporation: 60%)	Dec. 10, 2018

(Note)

The Company plans to establish the joint venture at March 31, 2019.

(2) As Licensee

The details of contracts for which the Company is a licensee are as follows:

Licensee	Licensor	Country	Contract description	Contract period
Kubota Environmental Services Co., Ltd.	Steinmuller Babcock Environment GmbH	Germany	Technology introduction regarding boiler for waste incineration plant	From: Oct. 22, 1998 To: Oct. 21, 2019 (automatic extension clause)
Kubota Corporation	NOVA Chemicals Corporation	Canada	Technology introduction regarding film-forming technology based on surface modification of the casting tube	From: Mar. 20, 2002 To: Dec. 31, 2019 (automatic extension clause)

(Note)

The Company principally pays royalities depending on sales amount or sales quantity.

(3) As Licensor

Not applicable.

(4) Committed Line of Credit

For the purpose of efficient financing in working capital, a committed line of credit with five financial institutions was available as of December 31, 2018. For further details, please refer to Note 27. FINANCIAL INSTRUMENTS, Liquidity Risk on page F-46.

5. Research and Development (R&D)

The Company's corporate mission is *recognizing food, water, and environment to be a singular theme and linked closely to each other, to continue to support the future of the earth and humanity by solving issues through its superior products, technologies and services.* Being motivated by this mission, each R&D department takes the initiative to develop products and technologies directly linked to each business and to develop medium- to long-term R&D which supports continuous growth.

The total R&D expenses for the year ended December 31, 2018 were ¥55.8 billion. The R&D expenses and major achievements of R&D activities by reporting segment were as follows. The R&D expenses in the Other segment and basic research expenses which are difficult to link to a particular reportable segment are collectively reported in Other and Corporate.

(1) Farm & Industrial Machinery

The R&D department in this segment conducts development of farm equipment, agricultural-related products, engines, and construction machinery and advanced research related to the aforementioned products. Its major achievements are as follows:

<u>Development of 5-row/6-row type combine harvesters, called the *DIONITH,* for *Ninaite farmers*</u>

In the combine harvesters business, head-feeding combine harvesters, called the *DIONITH,* for *Ninaite farmers* (designated leading farmers who meet certain criteria by the government) have been newly developed; a large-scale flagship model has been fully remodeled for the first time in ten years.

Major performance features of the *DIONTH* are as follows:

1) being equipped with a higher output clean engine, which meets the Emissions Regulations Tier 4 requirements for special motor vehicles in Japan, to harvest more efficiently and to make it more easily handle high-load operations, such as operations in a paddy field and harvest of high-yielding rice or feed rice;
2) being equipped with direct communication functions, such as a global positioning system ("GPS"), a third-generation ("3G") communication device, and a wireless LAN. Just turning on the power automatically transmits information, such as position, activity, and operation, to the KSAS; which frees operators from manually transmitting information to a job diary. Moreover, the taste and volume sensor has been upgraded in a way that presents variation of taste and volume in a field by more precise units (5m/10m/15m/20m) by showing light and shade on the display screen of a PC. This helps to make plans to improve fields for better taste and more harvest volume in the following year; and
3) to make the side plate of the grain tank and the cutter's rear cover openable. These areas usually require more frequent cleanup, so this allows for easier maintenance.

<u>Development of 6-row/8-row type rice transplanters, called the *NAVIWEL,* for *Ninaite farmers*</u>

In the rice transplanter business, a rice transplanter, called the *NAVIWEL*, for *Ninaite farmers* who prefer low-cost rice farming, has been newly developed; it is equipped with a GPS, which provides more precise performance, and a new function, which achieves low-cost farming.

Major performance features of the *NAVIWEL* are as follows:

1) slip correction made by vehicle speed information obtained from GPS lowers farming costs by transplanting rice seeding at preset distances, which prevents wasteful rice seeding and helps promote healthy growth due to maintaining at appropriate distances;
2) slip correction made by vehicle speed information obtained from GPS also lowers farming costs by decreasing volatility of fertilizer used, which enables the operators to fertilize at preset amounts in parallel with transplanting; and
3) in addition to *Auto Straight Line-Keeping Function* with utilization of GPS, which automatically corrects steering, the *Auto Distance Interval Assist Function* has been newly equipped, which automatically corrects to preset distance intervals for changing directions at corners of paddy fields. These functions prevent workers from unintentionally treading on rice seeding and having too much distance between rice seedings and help low-skilled workers transplant rice seeding while keeping straight; and
4) fertilizer amounts and distance intervals between rice seeding are automatically preset in relation with KSAS.

Development of mini excavators, called the *KX037-4,* for Europe

In the construction machinery business, a full remodeling of 3-4t classed mini excavator, called the *KX037-4,* for Europe have been newly developed.

Major performance features of the *KX037-4* are as follows:

1) being equipped with a 4-5t classed cabin over improvements on its design, occupant comfort, and ease of getting on and off. Relocation of engines made it possible to equip it with an air-conditioner, by significantly improving heat balance efficiency and meeting noise regulations;
2) being installed with a digital meter in the front cabin, which enables the operator to monitor operation status and helps to minimize fatigue of the operator; and
3) being equipped with 18.5 kW direct injection ("DI") engines in place of 22.9 kW indirect injection ("IDI") engines, which enables it to meet European Stage V non-road emission standards. By tuning hydraulic pressures and decreasing pressure loss, its performance level remains unchanged from the current models.

The R&D expenses in this segment were ¥46.6 billion.

(2) Water & Environment

The R&D department in this segment conducts product development of pipe-related products (ductile iron pipes, plastic pipes, pumps, valves, and other products), environment-related products (environmental control plants and other products), social infrastructure-related products (industrial castings, spiral welded steel pipes, and other products) and advanced research related to the aforementioned products. Its major achievements are as follows:

Development of corrosion diagnosis technology, called the *Mr. Snake (Snei-kun),* for sewage pumping pipes

In the pipe system business, corrosion diagnosis technology, called the *Mr. Snake (Snei-kun)*, for sewage pumping pipes has been newly developed; it helps to prevent leaking and collapse accidents resulting from corrosion damage through periodic examination and diagnosis.

Major performance features of the *Mr. Snake* are as follows:

1) able to narrow down in advance where the non-full flow spot is and where corrosion is likely to occur by viewing section of sewage pumping pipes and the volume of flow;
2) able to diagnose if there is corrosion inside of sewage pumping pipes by video camera; and
3) able to examine up to 30 m from the air valve installed in the spot where the corrosion is possible without civil engineering work.

With the above features, sewage pumping pipes are able to be maintained and managed quickly, accurately, and at a low cost. In addition, it becomes easier to propose and update plans for renovation.

Development of energy-saving membrane bioreactor system ("MBR"), called the *SCRUM* (smart control technology for reducing energy used in MBR)

In the Water and Environmental business, in order to spread MBR technology, for which the Company has already made certain achievements in the small-classed sewer market, to the large- and middle-classed sewer market, an energy-saving MBR system called the *SCRUM* has been newly developed. It is able to significantly save power usage by using the KUBOTA Submerged Membrane Unit, which has improved degree of integration, and aeration control technology.

Major performance features of the *SCRUM* are as follows:

1) able to cut power usage by 50% compared to current models (advanced processing); less than 0.22 kWh/㎥, which is the equivalent amount used by the current model;
2) as aeration control technology, to be able to automatically control washing air volume for membranes at an appropriate level by estimating the expected pressure based on sensing information. The Company also developed control technology which minimizes assist air diffuser volume, keeping air volume at the level required for nitrification based on NH4-N concentration of treated water.

The R&D expenses in this segment were ¥ 5.2 billion.

(3) Other and Corporate

R&D activities in Other and Adjustments focus on the enhancement of mechatronics, sensing, Information Communication Technology(“ITC”), and highly functional control technologies which are the Company’s fundamental technologies. The Company has enhanced and incorporated the above technologies into other preceding technology applied to the internal manufacturing products of each business, such as inspection equipment to innovate manufacturing quality, a remote monitoring system, diagnosis technology, and E-agriculture-related technologies used for solutions to issues related to water, and environment infrastructure-related issues.

The R&D expenses in this segment were ¥4.0 billion.

3. Property, Plant, and Equipment

1. Summary of Capital Investment

The Company primarily makes capital investments in order to meet increasing demand, promote rationalization for enhancement of competitiveness in its markets, and develop new products for future business expansion. Also, the Company makes investments related to environmental conservation and safety sanitation.

The capital investment for the year ended December 31, 2018 was ¥64,132 million, which was comprised of the following:

	For the year ended December 31, 2018 (millions of yen)	For the year ended December 31, 2017 (millions of yen)	Change from the prior year (%)
Farm & Industrial Machinery	¥ 50,600	¥ 43,222	117.1
Water & Environment	8,105	5,178	156.5
Other	1,095	557	196.6
Corporate	4,332	3,270	132.5
Total	¥ 64,132	¥ 52,227	122.8

(Note)

The amounts do not include consumption taxes.

The details of major investments are as follows:

Farm & Industrial Machinery

In Japan, the Company invested in manufacturing facilities for farm equipment. In the U.S., the Company invested in the construction of new facilities for establishing a new distribution center.

Water & Environment

The Company invested in facilities to renew obsolete equipment.

Corporate

The Company invested in information systems.

For the year ended December 31, 2018, there was no sale, removal, or damage of property, plant, and equipment that resulted in a significant adverse impact on productive capacity.

Also, loss on sales and disposals for routine upgrades were ¥1,391 million and ¥1,077 million for the years ended December 31, 2018 and 2017, respectively.

2. Major Property, Plant, and Equipment

The Company's major property, plant, and equipment at December 31, 2018 were as follows:

The amounts in each table do not include consumption taxes. Also, the *Machinery and equipment and others* column includes *machinery, equipment*, *tools, furniture, fixtures*, *motor vehicles, and transport equipment*.

(1) Kubota Corporation

(As of December 31, 2018)

Facility (Main location)	Reporting segment	Details of production item or business contents	Book value (millions of yen)						Number of employees
			Buildings and structures	Machinery and equipment and others	Land: Area (m² in thousands)	Land: Amount	Construction in progress	Total	
Hanshin Plant (Amagasaki-shi, Hyogo, JAPAN)	Water & Environment	Ductile iron pipes, mill rolls	2,216	5,249	(1) 365	2,254	506	10,225	769
Keiyo Plant (Funabashi-shi, Chiba, JAPAN)	Water & Environment	Ductile iron pipes	1,814	2,321	445	11,604	1,071	16,810	398
Ichikawa Plant (Ichikawa -shi, Chiba, JAPAN)	Water & Environment	Spiral welded steel pipes	612	888	(18) 62	513	31	2,044	125
Okajima Business Center (Taisho-ku, Osaka, JAPAN)	Farm & Industrial Machinery, Water & Environment	Casting parts	1,024	1,531	78	42	242	2,839	340
Sakai Plant (Sakai-shi, Osaka, JAPAN)	Farm & Industrial Machinery	Farm equipment, engines, construction machinery	18,635	16,632	(16) 599	8,239	2,608	46,114	3,793
Utsunomiya Plant (Utsunomiya-shi, Tochigi, JAPAN)	Farm & Industrial Machinery	Farm equipment	1,020	2,084	146	188	39	3,331	418
Tsukuba Plant (Tsukubamirai-shi, Ibaraki, JAPAN)	Farm & Industrial Machinery	Farm equipment, engines	5,377	8,046	(31) 342	1,151	348	14,922	1,700
Hirakata Plant (Hirakata-shi, Osaka, JAPAN)	Farm & Industrial Machinery, Water & Environment	Construction machinery, pumps, valves, steel castings	7,869	5,405	306	672	299	14,245	1,337
Shiga Plant (Konan-shi, Shiga, JAPAN)	Water & Environment	Wastewater treatment plant (Johkasou)	319	166	178	1,032	12	1,529	53
Kyuhoji Business Center (Yao-shi, Osaka, JAPAN)	Farm & Industrial Machinery	Precision equipment	478	236	38	661	10	1,385	195
Head Office, Tokyo Head Office, Other regional offices, etc. (Naniwa-ku, Osaka, JAPAN, etc.) (Note 2)	Farm & Industrial Machinery, Water & Environment, Corporate	Administration, sales, R&D, etc.	10,726	1,044	1,253	15,014	1,462	28,246	2,098

(Notes)

1. Kubota Corporation leases part of its land and buildings, and the related rental expenses for such assets were ¥1.6 billion for the year ended December 31, 2018. The areas of the leased land are stated in parentheses. Also, leased land and buildings are mainly used for storage yards and sales bases.
2. Land is used for factories, distribution and sales bases, recreation facilities, and other purposes.

(2) Domestic subsidiaries

(As of December 31, 2018)

Company name	Facility (Main location)	Reporting segment	Details of production item or business contents	Book value (millions of yen)						Number of employees
				Buildings and structures	Machinery and equipment and others	Land		Construction in progress	Total	
						Area (㎡ in thousands)	Amount			
Kubota ChemiX Co., Ltd.	Head office, regional offices, factories (Naniwa-ku, Osaka, JAPAN, etc.)	Water & Environment	Plastic pipes, fittings	284	2,477	(124) —	—	947	3,708	611

(Note)
The area of the leased land is stated in parentheses. Leased land and buildings are mainly used for the head office, regional offices, and manufacturing bases.

(3) Overseas subsidiaries

(As of December 31, 2018)

Company name	Facility (Main location)	Reporting segment	Details of production item or business contents	Book value (millions of yen)						Number of employees
				Buildings and structures	Machinery and equipment and others	Land		Construction in progress	Total	
						Area (㎡ in thousands)	Amount			
Kubota Tractor Corporation	Head office, regional offices (Texas, etc., U.S.A.)	Farm & Industrial Machinery	Administration, sales, etc.	4,789	371	3,027	3,517	5,356	14,033	804
Kubota Manufacturing of America Corporation	Head Factory (Georgia, U.S.A.)	Farm & Industrial Machinery	Tractors, outdoor power equipment	5,201	7,882	1,082	2,064	347	15,494	1,449
Kubota Industrial Equipment Corporation	Head Factory (Georgia, U.S.A.)	Farm & Industrial Machinery	Implements, tractors, construction machinery	3,992	2,429	356	329	133	6,883	850
SIAM KUBOTA Corporation Co., Ltd.	Head office, factories (Pathumthani, etc., THAILAND)	Farm & Industrial Machinery	Tractors, combine harvesters, implements, horizontal type diesel engines	8,209	7,465	518	2,929	502	19,105	2,744

3. Plans for Capital Investment and Disposals of Property, Plant, and Equipment

The Company plans its capital investments considering its forecast for future business demand and cash flows comprehensively.

As of December 31, 2018, the Company plans capital investment of approximately ¥100.0 billion for the 130th business term. The Company intends to fund capital investment mainly through internally generated fund financing and partially through available borrowings from financial institutions.

Major plans for new construction, expansion, renovation, disposition, and sale as of December 31, 2018 were as follows:

New Construction

Company name (Location)	Reporting segment	Description	Estimated amount of expenditures		Schedule	
			Total amount of expenditures	Amount already paid	Commenced	To be completed
Kubota Tractor Corporation (Texas, U.S.A.)	Farm & Industrial Machinery	Building of new facilities for North American Distribution Center	(millions of USD) 88	(millions of USD) 51	July 2017	April 2019
Kubota Canada Ltd. (Ontario, CANADA)	Farm & Industrial Machinery	Building of new head office and warehouses for business expansion	(millions of CAD) 68	(millions of CAD) 1	April 2018	September 2020
Kubota Europe S.A.S. (Val-d'Oise, FRANCE)	Farm & Industrial Machinery	Building of new research and development hub	(millions of EUR) 56	(millions of EUR) 1	July 2018	July 2020
Kubota Corporation Sakai Plant, Okajima Business Center (Sakai-shi, Osaka, JAPAN, Taisho-ku, Osaka, JAPAN)	Farm & Industrial Machinery	Building of new facilities to establish production system of large-sized engines	(millions of JPY) 4,420	(millions of JPY) 40	October 2018	December 2021
Kubota Corporation Sakai Plant (Sakai-shi, Osaka, JAPAN)	Farm & Industrial Machinery	Building new research and development hub	(millions of JPY) 14,550	(millions of JPY) 1,400	December 2018	December 2021

There are no major plans for expansion, renovation, disposition, or sale.

4. 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) (December 31, 2018)	Number of shares issued as of filing date (shares) (March 22, 2019)	Stock exchange on which Kubota Corporation is listed	Description
Common shares	1,232,556,846	1,232,556,846	Tokyo Stock Exchange (the first section)	The number of shares per unit of shares is 100 shares.
Total	1,232,556,846	1,232,556,846	—	—

(2) Information on Stock Option Plans

1) Details of Stock Option Plans

Not applicable.

2) Information on Shareholder Right Plans

Not applicable.

3) Information on other Stock Option Plans

Not applicable.

(3) Information on Moving Strike Convertible Bonds

Not applicable.

(4) Changes in the Total Number of Issued Shares, the Amount of Common Stock, 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 (millions of yen)	Balance of common stock (millions of yen)	Changes in capital reserve (millions of yen)	Balance of capital reserve (millions of yen)
March 31, 2014 (Note 1)	(6,200)	1,250,219	¥ —	¥ 84,070	¥ —	¥ 73,057
March 31, 2015 (Note 1)	(4,000)	1,246,219	¥ —	¥ 84,070	¥ —	¥ 73,057
December 30, 2015 (Note 1)	(1,300)	1,244,919	¥ —	¥ 84,070	¥ —	¥ 73,057
December 30, 2016 (Note 1)	(3,800)	1,241,119	¥ —	¥ 84,070	¥ —	¥ 73,057
April 21, 2017 (Note 2)	35	1,241,154	¥ 30	¥ 84,100	¥ 30	¥ 73,087
December 29, 2017 (Note 1)	(7,130)	1,234,024	¥ —	¥ 84,100	¥ —	¥ 73,087
April 20, 2018 (Note 3)	32	1,234,056	¥ 30	¥ 84,130	¥ 30	¥ 73,117
December 28, 2018 (Note 1)	(1,500)	1,232,556	¥ —	¥ 84,130	¥ —	¥ 73,117

(Notes)
1. Kubota Corporation retired its treasury stocks.
2. Kubota Corporation issued new shares as consideration for monetary remuneration under the restricted stock compensation plan.

Price of issuance (per share):	¥ 1,718.50
Price of paid-in-capital (per share):	¥ 859.25
Recipients of shares to be allocated	6 Directors of Kubota Corporation, excluding Outside Directors

3. Kubota Corporation issued new shares as consideration for monetary remuneration under the restricted stock compensation plan.

Price of issuance (per share):	¥ 1,845.00
Price of paid-in-capital (per share):	¥ 922.50
Recipients of shares to be allocated	6 Directors of Kubota Corporation, excluding Outside Directors and non-resident of Japan

(5) Shareholders Composition

(As of December 31, 2018)

Class of shareholders	Status of shares (one unit of shares: 100 shares)								Number of shares less than one unit (shares)
	Government and municipality	Financial institution	Financial instruments business operator	Other institution	Overseas shareholders: Corporations	Overseas shareholders: Individuals	Individuals and others	Total	
Number of shareholders	—	136	50	798	779	32	41,399	43,194	—
Share Ownership (units)	—	5,655,078	294,491	485,233	4,919,797	335	968,061	12,332,995	257,346
Ownership percentage of shares (%)	—	45.89	2.39	3.94	39.92	0.00	7.86	100.00	—

(Notes)
1. Of 102,263 shares of treasury stock, 1,022 units are included in the *Individuals and others* column while 63 shares are included in the *Number of shares less than one unit* column.
2. The *Other institution* column includes 10 units registered in the name of Japan Securities Depository Center, Incorporated.

(6) Major Shareholders

(As of December 31, 2018)

Name	Address	Share ownership (thousands of shares)	Ownership percentage to the total number of issued shares (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	11-3, Hamamatsu-cho 2-chome, Minato-ku Tokyo, JAPAN	117,364	9.52
Nippon Life Insurance Company	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo, JAPAN	62,542	5.07
Japan Trustee Services Bank, Ltd. (Trust account)	8-11, Harumi 1-chome, Chuo-ku, Tokyo, JAPAN	61,839	5.01
Meiji Yasuda Life Insurance Company	1-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo, JAPAN	59,929	4.86
Sumitomo Mitsui Banking Corporation	1-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo, JAPAN	36,006	2.92
Moxley & Co. LLC (Standing proxy: Sumitomo Mitsui Banking Corporation	270 Park Avenue, New York, New York, 10017-2070, U.S.A. (3-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo, JAPAN)	34,872	2.82
Mizuho Bank, Ltd.	5-5, Otemachi 1-chome, Chiyoda-ku, Tokyo, JAPAN	31,506	2.55
BNYM Treaty DTT 15 (Standing proxy: MUFG Bank, Ltd.)	225 Liberty street, New York, New York ,10286, U.S.A. (7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo, JAPAN)	21,732	1.76
Japan Trustee Services Bank, Ltd. (Trust account 5)	8-11, Harumi 1-chome, Chuo-ku, Tokyo, JAPAN	21,050	1.70

The bank of New York Mellon 140042 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	225 Liberty street, New York, New York, U.S.A. (Bldg. A, Shinagawa Intercity, 15-1, Konan 2-chome, Chiyoda-ku, Tokyo, JAPAN)	18,313	1.48
Total	—	465,156	37.74

(Notes)

1. Numbers less than presentation units are rounded down in the columns of *Share ownership* and *Ownership percentage to the total number of issued shares*.
2. The shares held by The Master Trust Bank of Japan, Ltd. (Trust account), Japan Trustee Services Bank, Ltd. (Trust account), and Japan Trustee Services Bank, Ltd. (Trust account 5) are invested as their fiduciary services.
3. Change reports pertaining to large shareholding reports by Nippon Life Insurance Company dated November 9, 2015 are available for public inspection. However, the information in the reports is not stated in the preceeding table since Kubota Corporation has not confirmed the actual status of shareholdings as of December 31, 2018, except that of Nippon Life Insurance Company. A summary of the reports as of October 30, 2015 is as follows:

Name	Share ownership (thousands of shares)	Ownership percentage to the total number of issued shares (%)
Nippon Life Insurance Company	65,124	5.23
Nissay Asset Management Corporation	15,268	1.23
Total	80,392	6.45

4. Large shareholding reports by BlackRock Japan Co., Ltd. dated November 19, 2015 are available for public inspection. However, the information in the reports is not stated in the preceeding table since Kubota Corporation has not confirmed the actual status of shareholdings as of December 31, 2018. A summary of the reports as of November 13, 2015 is as follows:

Name	Share ownership (thousands of shares)	Ownership percentage to the total number of issued shares (%)
BlackRock Japan Co., Ltd.	14,825	1.19
BlackRock Advisers, LLC	3,489	0.28
BlackRock Investment Management LLC	1,532	0.12
BlackRock (Luxembourg) S.A.	1,454	0.12
BlackRock Life Limited	2,780	0.22
BlackRock Asset Management Ireland Limited	5,510	0.44
BlackRock Fund Advisors	15,101	1.21
BlackRock Institutional Trust Company, N.A.	15,751	1.26
BlackRock Investment Management (UK) Limited	1,936	0.16
Total	62,381	5.01

5. Change reports pertaining to large shareholding reports by Mizuho Bank, Ltd. dated April 21, 2017 are available for public inspection. However, the information in the reports is not stated in the preceeding table since Kubota Corporation has not confirmed the actual status of shareholdings as of December 31, 2018, except that of Mizuho Bank, Ltd. A summary of the reports as of April 14, 2017 is as follows:

Name	Share ownership (thousands of shares)	Ownership percentage to the total number of issued shares (%)
Mizuho Bank, Ltd.	36,006	2.90
Asset Management One Co., Ltd.	37,999	3.06
Total	74,005	5.96

6. Change reports pertaining to large shareholding reports by Sumitomo Mitsui Trust Holdings Inc. dated August 6, 2018 are available for public inspection. However, the information in the reports is not stated in the preceeding table since Kubota Corporation has not confirmed the actual status of shareholdings as of December 31, 2018. A summary of the reports as of July 31, 2018 is as follows:

Name	Share ownership (thousands of shares)	Ownership percentage to the total number of issued shares (%)
Sumitomo Mitsui Trust Bank, Limited	51,681	4.19
Sumitomo Mitsui Trust Asset Management Co., Ltd.	1,851	0.15
Nikko Asset Management Co., Ltd.	19,480	1.58
Total	73,013	5.92

7. Change reports pertaining to large shareholding reports by Massachusetts Financial Services Company dated September 21, 2018 are available for public inspection. However, the information in the reports is not stated in the preceeding table since Kubota Corporation has not confirmed the actual status of shareholdings as of December 31, 2018. A summary of the reports as of September 14, 2018 is as follows:

Name	Share ownership (thousands of shares)	Ownership percentage to the total number of issued shares (%)
Massachusetts Financial Services Company	57,071	4.62
MFS Investment Management K.K.	4,675	0.38
Total	61,746	5.00

8. Change reports pertaining to large shareholding reports by Mitsubishi UFJ Financial Group, Inc. dated September 27, 2018 are available for public inspection. However, the information in the reports is not stated in the preceeding table since Kubota Corporation has not confirmed the actual status of shareholdings as of December 31, 2018. A summary of the reports as of September 19, 2018 is as follows:

Name	Share ownership (thousands of shares)	Ownership percentage to the total number of issued shares (%)
MUFG Bank, Ltd.	18,156	1.47
Mitsubishi UFJ Trust and Banking Corporation	78,137	6.33
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	7,244	0.59
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	20,142	1.63
Total	123,680	10.02

(7) Information on Voting Rights

1) Issued Shares

(As of December 31, 2018)

Classification		Number of shares (shares)	Number of voting rights	Description
Shares without voting rights		—	—	—
Shares with restricted voting rights (treasury stock, etc.)		—	—	—
Shares with restricted voting rights (others)		—	—	—
Shares with full voting rights (treasury stock, etc.)	(Treasury stock) Common shares:	102,200	—	—
	(Crossholding stock) Common shares:	718,400		
Shares with full voting rights (others)	Common shares:	1,231,478,900	12,314,789	—
Shares less than one unit	Common shares:	257,346	—	Shares less than one unit (100 shares)
Number of issued shares		1,232,556,846	—	—
Total number of voting rights		—	12,314,789	—

(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 Stock

(As of December 31, 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 stock)					
Kubota Corporation	2-47, Shikitsuhigashi 1-chome, Naniwa-ku, Osaka, JAPAN	102,200	—	102,200	0.00

(Crossholding stock)					
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-shi, Fukuoka, JAPAN	566,000	—	566,000	0.04
Total crossholding stock	—	718,400	—	718,400	0.05
Total	—	820,600	—	820,600	0.06

2. Information on Acquisition of Treasury Stock

Class of Shares: Acquisition of common shares under Article 155, Items 3 and 7 of the Companies Act.

(1) Acquisition of Treasury Stock Resolved at the General Meeting of Shareholders

Not applicable.

(2) Acquisition of Treasury Stock Resolved at the Meetings of the Board of Directors

Acquisition of common shares under Article 155, Item 3 of the Companies Act

Classification	Number of shares (shares)	Total amount (¥)
Details on resolution at the Meeting of the Board of Directors held on April 26, 2018 (Term of validity: from April 27, 2018 to December 19, 2018)	7,000,000	¥ 10,000,000,000
Treasury stock acquired before the year ended December 31, 2018	—	—
Treasury stock acquired for the year ended December 31, 2018	1,575,600	2,999,837,950
Treasury stock not acquired for the year ended December 31, 2018	5,424,400	7,000,162,050
Percentage of remaining treasury stock not acquired as of December 31, 2018 (%)	77.5	70.0
Treasury stock acquired during the current period	—	—
Percentage of remaining treasury stock not acquired as of filing date (%)	77.5	70.0

(3) Details of Acquisition of Treasury Stock Not Based on the Resolutions of the General Meeting of Shareholders or the Meetings of the Board of Directors

Acquisition of common stock under Article 155, Item 7 of the Companies Act

Classification	Number of shares (shares)	Total amount (¥)
Treasury stock acquired for the year ended December 31, 2018	1,771	¥ 3,229,066
Treasury stock acquired during the current period	205	¥ 322,361

(Note)

Treasury stock acquired during the current period does not include shares consisting of less than one unit purchased during the period from March 1, 2019 to the filing date of this report.

(4) Status of the Disposition and Holding of Acquired Treasury Stock

Classification	Year ended December 31, 2018 Number of shares (shares)	Year ended December 31, 2018 Total disposition amount (¥)	Current period Number of shares (shares)	Current period Total disposition amount (¥)
Acquired treasury stock for which subscribers were solicited	—	¥ —	—	¥ —
Acquired treasury stock which was retired	1,500,000	2,854,470,000	—	—
Acquired treasury stock for which transfer of shares was conducted due to merger, share exchange, or company separation	—	—	—	—
Others (sold shares consisting of less than one unit)	66	125,335	—	—
Total number of treasury stock held	102,263	—	102,468	—

(Note)

The number of shares and total disposition amount during the current period does not include shares consisting of less than one unit acquired or sold during the period from March 1, 2019 to the filing date of this report.

3. Dividend Policy

Kubota Corporation's basic policy for the return of profit to shareholders is to maintain a stable level of dividends and raise dividends. Kubota Corporation decides how to allocate its retained earnings in consideration of maintaining sound business operations and accommodating the future business environment.

Based on the above policy, ¥16 per share was resolved for an interim dividend and ¥18 per share was resolved for a year-end dividend for the current fiscal year, resulting in a total amount of annual dividend of ¥34 per share.

In accordance with its basic policy, Kubota Corporation pays dividends twice a year an interim dividend and a year-end dividend with appropriation from retained earnings. Dividends are resolved at the Meetings of the Board of Directors.

Kubota Corporation stipulates in its Articles of Incorporation the possibility of resolution of interim dividends, which is defined under Article 454, Paragraph 5 of the Companies Act. For further details, please refer to *5. Stock-Related Administration of Kubota Corporation*.

Dividends with record dates falling in the current fiscal year are as follows:

Date of resolution	Cash dividends (millions of yen)	Cash dividends per share (¥)
The Meeting of the Board of Directors on August 2, 2018	¥ 19,719	¥ 16.00
The Meeting of the Board of Directors on February 14, 2019	¥ 22,184	¥ 18.00

4. Share Prices

(1) Highest and Lowest Share Prices in Each of the Recent Five Fiscal Years

Fiscal year	125th business term	126th business term	127th business term	128th business term	129th business term
Year end	March 2015	December 2015	December 2016	December 2017	December 2018
Highest (¥)	¥ 2,019.5	¥ 2,193.5	¥ 1,895.0	¥ 2,232.5	¥ 2,368.0
Lowest (¥)	¥ 1,276.0	¥ 1,581.0	¥ 1,270.0	¥ 1,606.0	¥ 1,470.0

(Note)

1. The share prices are market prices on the first section of the Tokyo Stock Exchange (the "TSE").
2. The 126th business term was the nine-month period that commenced on April 1, 2015 and ended December 31, 2015.

(2) Highest and Lowest Share Prices in Each of the Recent Six Months

Month	July 2018	August 2018	September 2018	October 2018	November 2018	December 2018
Highest (¥)	¥ 1,907.0	¥ 1,870.0	¥ 1,945.5	¥ 1,977.5	¥ 1,940.0	¥ 2,015.0
Lowest (¥)	¥ 1,730.0	¥ 1,621.0	¥ 1,647.0	¥ 1,715.5	¥ 1,773.0	¥ 1,470.0

(Note)

The share prices are market prices on the first section of the TSE.

5. Directors and Senior Management

Male: 13, Female: 1 (percentage of females among Directors and Audit & Supervisory Board Members: 7%)

Position	Responsibility	Name	Date of birth	Business experience		Term of office	Share ownership (thousands of shares)
President and Representative Director of Kubota Corporation		Masatoshi Kimata	Jun. 22, 1951	Apr. 1977	Joined Kubota Corporation	Note 3	85
				Oct. 2001	General Manager of Tsukuba Plant		
				Jun. 2005	Director of Kubota Corporation		
				Apr. 2007	Deputy General Manager of Sales Headquarters in Farm & Industrial Machinery Consolidated Division of Kubota Corporation		
				Apr. 2008	Managing Director of Kubota Corporation		
				Apr. 2009	Director and Managing Executive Officer of Kubota Corporation		
				Apr. 2009	Deputy General Manager of Farm and Industrial Machinery Consolidated Division, General Manager of Sales Headquarters in Farm and Industrial Machinery Consolidated Division of Kubota Corporation		
				Jun. 2009	Managing Executive Officer of Kubota Corporation		
				Jul. 2010	Senior Managing Executive Officer of Kubota Corporation		
				Aug. 2010	President of SIAM KUBOTA Corporation Co., Ltd.		
				Apr. 2012	General Manager of Water and Environment Domain, General Manager of Tokyo Head Office of Kubota Corporation		
				Jun. 2012	Director and Senior Managing Executive Officer of Kubota Corporation		
				Aug. 2012	Administrative Officer- Corporate Staff, General Manager of Water Engineering and Solution Division of Kubota Corporation		
				Apr. 2013	General Manager of Procurement Headquarters of Kubota Corporation		
				Apr. 2014	Representative Director and Executive Vice President of Kubota Corporation		
				Jul. 2014	President and Representative Director of Kubota Corporation (to present)		

Position	Responsibility	Name	Date of birth		Business experience	Term of office	Share ownership (thousands of shares)
Representative Director and Executive Vice President of Kubota Corporation	General Manager of Farm and Industrial Machinery Consolidated Division	Yuichi Kitao	Jul. 15, 1956	Apr. 1979	Joined Kubota Corporation	Note 3	55
				Apr. 2005	General Manager of Tractor Engineering Dept. of Kubota Corporation		
				Apr. 2009	Executive Officer of Kubota Corporation		
				Apr. 2009	General Manager of Tractor Division of Kubota Corporation		
				Jan. 2011	President of Kubota Tractor Corporation		
				Apr. 2013	Managing Executive Officer of Kubota Corporation		
				Oct. 2013	General Manager of Farm and Utility Machinery Division, General Manager of Farm and Utility Machinery International Operations Headquarters of Kubota Corporation		
				Jun. 2014	Director and Managing Executive Officer of Kubota Corporation		
				Apr. 2015	Director and Senior Managing Executive Officer of Kubota Corporation		
				Apr. 2015	General Manager of Farm and Industrial Machinery Domain of Kubota Corporation		
				Jan. 2019	Representative Director and Executive Vice President of Kubota Corporation (to present)		
				Jan. 2019	General Manager of Farm and Industrial Machinery Consolidated Division of Kubota Corporation (to present)		
Director and Senior Managing Executive Officer of Kubota Corporation	General Manager of Planning and Control Headquarters, General Manager of Global IT Management Dept.	Masato Yoshikawa	Jan. 27, 1959	Apr. 1981	Joined Kubota Corporation	Note 3	15
				Feb. 2008	General Manager of Ductile Iron Pipe Planning Dept. of Kubota Corporation		
				Oct. 2009	General Manager of Pipe System Planning Dept., General Manager of Ductile Iron Pipe Planning Dept. of Kubota Corporation		
				Oct. 2010	General Manager of Corporate Planning and Control Dept.		
				Apr. 2012	Executive Officer of Kubota Corporation		
				Oct. 2013	President of Kubota Tractor Corporation (to present)		
				Apr. 2015	Managing Executive Officer of Kubota Corporation		
				Mar. 2017	Director and Managing Executive Officer of Kubota Corporation		
				Jan. 2018	Director and Senior Managing Executive Officer of Kubota Corporation (to present)		
				Jan. 2019	General Manager of Planning and Control Headquarters (to present), General Manager of Global IT Management Dept. of Kubota Corporation (to present)		

Position	Responsibility	Name	Date of birth	Business experience		Term of office	Share ownership (thousands of shares)
Director and Senior Managing Executive Officer of Kubota Corporation	General Manager of Research and Development Headquarters	Shinji Sasaki	Sep. 11, 1954	Apr. 1978	Joined Kubota Corporation	Note 3	41
				Apr. 2004	General Manager of Engine Engineering Dept. of Kubota Corporation		
				Apr. 2009	Executive Officer of Kubota Corporation		
				Apr. 2009	General Manager of Engine Division of Kubota Corporation		
				Apr. 2013	Managing Executive Officer of Kubota Corporation		
				Apr. 2015	Senior Managing Executive Officer of Kubota Corporation		
				Jan. 2017	Deputy General Manager of Farm and Industrial Machinery Domain, General Manager Construction Machinery Division of Kubota Corporation		
				Jan. 2018	General Manager of Research and Development Headquarters of Kubota Corporation (to present)		
				Mar. 2018	Director and Senior Managing Executive Officer of Kubota Corporation (to present)		
Director and Senior Managing Executive Officer of Kubota Corporation	General Manager of Water and Environment Infrastructure Consolidated Division, General Manager of Tokyo Head Office	Toshihiko Kurosawa	Aug. 14, 1955	Apr. 1979	Joined Kubota Corporation	Note 3	37
				May. 2003	General Manager of Pump Sales Dept. I of Kubota Corporation		
				Apr. 2005	General Manager of Pump Sales Dept. I and General Manager of Pump Sales Dept. II of Kubota Corporation		
				Apr. 2006	General Manager of Pump Division of Kubota Corporation		
				Apr. 2010	Executive Officer of Kubota Corporation		
				Apr. 2012	Deputy General Manager of Business Development Headquarters, General Manager of International Business Promotion Dept. of Kubota Corporation		
				Apr. 2013	General Manager of Strategic Business Promotion Dept. of Kubota Corporation		
				Apr. 2014	Managing Executive Officer of Kubota Corporation		
				Apr. 2014	General Manager of Water Engineering and Solution Division of Kubota Corporation		
				Jan. 2018	General Manager of Tokyo Head Office of Kubota Corporation		
				Jan. 2018	Deputy General Manager of Water and Environmental Infrastructure Domain, General Manager of Environmental Solutions Division of Kubota Corporation		
				Jan. 2019	Senior Managing Executive Officer of Kubota Corporation		
				Jan. 2019	General Manager of Water and Environment Infrastructure Consolidated Division of Kubota Corporation (to present)		
				Mar. 2019	Director and Senior Managing Executive Officer of Kubota Corporation (to present)		

Position	Responsibility	Name	Date of birth		Business experience	Term of office	Share ownership (thousands of shares)
Director and Senior Managing Executive Officer of Kubota Corporation	General Manager of Farm and Industrial Machinery Strategy and Operations Headquarters	Dai Watanabe	Oct. 2, 1958	Apr. 1984	Joined Kubota Corporation	Note 3	36
				Jun. 2008	General Manager of Farm and Industrial Machinery International Planning and Control Dept.		
				Jan. 2012	President of Kubota Europe S.A.S.		
				Apr. 2013	Executive Officer of Kubota Corporation		
				Feb. 2014	President of Kubota Farm Machinery Europe S.A.S.		
				Dec. 2014	President of Kverneland AS		
				Sep. 2016	General Manager of Agricultural Implement Business Unit of Kubota Corporation		
				Jan. 2017	Managing Executive Officer of Kubota Corporation		
				Jan. 2017	General Manager of Agricultural Implement Division of Kubota Corporation		
				Oct. 2017	President of Kubota Holdings Europe B.V.		
				Jan. 2018	General Manager of Agricultural Implement Division of Kubota Corporation		
				Jan. 2019	Senior Managing Executive Officer of Kubota Corporation		
				Jan. 2019	General Manager of Farm and Industrial Machinery Strategy and Operations Headquarters of Kubota Corporation (to present)		
				Mar. 2019	Director and Senior Managing Executive Officer of Kubota Corporation (to present)		
Director of Kubota Corporation		Yuzuru Matsuda	Jun. 25, 1948	Apr. 1977	Joined Kyowa Hakko Kogyo Co., Ltd. (currently, Kyowa Hakko Kirin Co., Ltd.)	Note 3	11
				Jun. 1999	Director of Drug Discovery Research Laboratories, Pharmaceutical Research Institute of Kyowa Hakko Kogyo Co., Ltd.		
				Jun. 2000	Executive Officer of Kyowa Hakko Kogyo Co., Ltd.		
				Jun. 2000	Executive Director of Pharmaceutical Research Institute of Kyowa Hakko Kogyo Co., Ltd.		
				Jun. 2002	Executive Director of Kyowa Hakko Kogyo Co., Ltd.		
				Jun. 2002	Director of Corporate Planning Department of Kyowa Hakko Kogyo Co., Ltd.		
				Jun. 2003	President and Chief Operating Officer of Kyowa Hakko Kogyo Co., Ltd.		
				Oct. 2008	President and Chief Executive Officer of Kyowa Hakko Kirin Co., Ltd.		
				Mar. 2012	Senior Advisor of Kyowa Hakko Kirin Co., Ltd.		
				Jun. 2012	President of Kato Memorial Bioscience Foundation (to present)		
				Jun. 2014	Director of Kubota Corporation (to present)		
				Jun. 2014	Director of BANDAI NAMCO Holdings, Inc. (to present)		
				Jun. 2015	Director of JSR Corporation (to present)		

Position	Responsibility	Name	Date of birth		Business experience	Term of office	Share ownership (thousands of shares)
Director of Kubota Corporation		Koichi Ina	May 6, 1948	Apr. 1973	Joined Toyota Motor Corporation	Note 3	12
				Jan. 1998	General Manager of Motomachi Plant Machining Division of Toyota Motor Corporation		
				Jun. 2000	Division General Manager of Motomachi Plant Administration Division of Toyota Motor Corporation		
				Jun. 2002	Board of Directors of Toyota Motor Corporation		
				Jun. 2002	Plant Manager, Honsha Plant; Plant Manager, Motomachi Plant of Toyota Motor Corporation		
				Jun. 2003	Managing Officer of Toyota Motor Corporation		
				Jun. 2003	General Manager of Global Production Center of Toyota Motor Corporation		
				Jun. 2004	Plant Manager, Myochi Plant of Toyota Motor Corporation		
				Jun. 2005	Plant Manager, Takaoka Plant; Plant Manager, Tsutsumi Plant of Toyota Motor Corporation		
				Jun. 2006	Plant Manager, Miyoshi Plant of Toyota Motor Corporation		
				Jun. 2007	Senior Managing Director of Toyota Motor Corporation		
				Jun. 2007	Chief Officer, Production Planning Group; Chief Officer, Manufacturing Group of Toyota Motor Corporation		
				Jun. 2009	Adviser of Toyota Motor Corporation		
				Jun. 2009	Executive Vice President of Daihatsu Motor Co., Ltd.		
				Jun. 2010	President of Daihatsu Motor Co., Ltd.		
				Jun. 2013	Chairman of Daihatsu Motor Co., Ltd.		
				Jun. 2015	Director of Kubota Corporation (to present)		
				Jun. 2016	Adviser to the Board of Daihatsu Motor Co., Ltd.		

Position	Responsibility	Name	Date of birth		Business experience	Term of office	Share ownership (thousands of shares)
Director of Kubota Corporation		Yutaro Shintaku	Sep. 19, 1955	Apr. 1979	Joined Toa Nenryo Kogyo K.K. (Currently, JXTG Nippon Oil & Energy Corporation)	Note 3	3
				Jan. 1999	Joined Terumo Corporation		
				Jun. 2005	Executive Officer of Terumo Corporation		
				Jun. 2006	Director and Executive Officer of Terumo Corporation		
				Jun. 2007	Director and Senior Executive Officer of Terumo Corporation		
				Jun. 2007	In charge of R&D Center, Intellectual Property Dept. and Legal Dept. of Terumo Corporation		
				Jun. 2009	Director and Managing Executive Officer of Terumo Corporation		
				Jun. 2009	General Manager of Strategy Planning Dept., In charge of Human Resources Dept. and Accounting & Finance Dept. of Terumo Corporation		
				Jun. 2010	President and Representative Director of Terumo Corporation		
				Apr. 2017	Director and Adviser of Terumo Corporation		
				Jun. 2017	Corporate Adviser of Terumo Corporation		
				Jun. 2017	Director of Santen Pharmaceutical Co., Ltd. (to present)		
				Jun. 2017	Director of J-Oil Mills, Inc. (to present)		
				Jun. 2017	Executive Trustee of Tonen International Scholarship Foundation (to present)		
				Mar. 2018	Director of Kubota Corporation (to present)		
				Apr. 2018	Visiting Professor of Hitotsubashi University Business School (to present)		

Position	Responsibility	Name	Date of birth	Business experience		Term of office	Share ownership (thousands of shares)
Audit & Supervisory Board Member of Kubota Corporation (Full time)		Toshikazu Fukuyama	Jun. 11, 1955	Apr. 1979	Joined Kubota Corporation	Note 4	12
				Oct. 2005	General Manager of Corporate Planning and Control Dept. of Kubota Corporation		
				Oct. 2009	Vice President of The Siam Kubota Industry Co., Ltd. (currently, SIAM KUBOTA Corporation Co., Ltd.), Director of Siam Kubota Leasing Co., Ltd.		
				Aug. 2010	Vice President of SIAM KUBOTA Corporation Co., Ltd., Director of Siam Kubota Leasing Co., Ltd.		
				Jun. 2014	Audit & Supervisory Board Member of Kubota Corporation (to present)		
Audit & Supervisory Board Member of Kubota Corporation (Full time)		Yasuhiko Hiyama	Dec. 25, 1957	Apr. 1981	Joined Kubota Corporation	Note 4	18
				Apr. 2008	President of Kubota Industrial Equipment Corporation		
				Apr. 2010	General Manager of Tractor Planning and Sales Promotion Dept. of Kubota Corporation		
				Apr. 2012	General Manager of Farm and Utility Machinery Planning and Sales Promotion Dept. of Kubota Corporation		
				Apr. 2014	General Manager of Farm and Utility Machinery Business Unit 1, General Manager of Farm and Utility Machinery Planning and Sales Promotion Dept. 1, General Manager of Farm and Utility Machinery Planning and Sales Promotion Dept. 2 of Kubota Corporation		
				Apr. 2015	General Manager of Tractor and Utility Machinery Business Unit of Kubota Corporation		
				Jan. 2016	Executive Officer of Kubota Corporation		
				Jan. 2017	General Manager of Compact Tractor, Turf and Utility Vehicle Business Unit of Kubota Corporation		
				Jan. 2018	Deputy General Manager of tractor Division of Kubota Corporation		
				Mar. 2018	Audit & Supervisory Board Member of Kubota Corporation (to present)		

Position	Responsibility	Name	Date of birth		Business experience	Term of office	Share ownership (thousands of shares)
Audit & Supervisory Board Member of Kubota Corporation (Part time)		Masaki Fujiwara	Dec. 23, 1953	Apr. 1977	Joined Matsushita Electric Industrial Co., Ltd. (currently, Panasonic Corporation)	Note 4	4
				Jan. 2000	Director of Malaysia Matsushita Television Co., Ltd.		
				Nov. 2004	General Manager of Technical Accounting Center of Matsushita Electric Industrial Co., Ltd.		
				Dec. 2006	General Manager of Accounting Center of Panasonic Corporation, AVC Networks Company		
				May 2010	President and Representative Director of Panasonic Insurance Services Japan Co., Ltd.		
				Mar. 2014	Joined Sansha Electric Manufacturing Co., Ltd.		
				Mar. 2014	Adviser of Sansha Electric Manufacturing Co., Ltd.		
				Jun. 2014	Director and Senior Managing Executive Officer of Sansha Electric Manufacturing Co., Ltd. (to present)		
				Jun. 2014	General Manager of Administrative Division of Sansha Electric Manufacturing Co., Ltd.		
				Mar. 2018	Audit & Supervisory Board Member of Kubota Corporation (to present)		
				Apr. 2018	General Manager of Corporate Planning and Control Headquarters of Sansha Electric Manufacturing Co., Ltd. (to present)		
Audit & Supervisory Board Member of Kubota Corporation (Part time)		Masato Hinenoya	Jan. 31, 1955	Oct. 1978	Joined Asahi & Co. (currently, KPMG AZSA LLC)	Note 5	—
				Mar. 1982	Registered as a Certified Public Accountant of Japan		
				May. 2002	Representative Partner of Asahi & Co. (currently, KPMG AZSA LLC)		
				Jul. 2010	Board Member of KPMG AZSA LLC		
				Jul. 2017	Representative of Hinenoya CPA Office (to present)		
				Mar. 2019	Audit & Supervisory Board Member of Kubota Corporation (to present)		

Position	Responsibility	Name	Date of birth		Business experience	Term of office	Share ownership (thousands of shares)
Audit & Supervisory Board Member of Kubota Corporation (Part time)		Kumi Arakane	Jul. 4, 1956	Apr. 1981	Joined KOBAYASHI KOSÉ COMPANY LIMITED (currently, KOSÉ Corporation)	Note 5	1
				Mar. 2002	Senior Chief Researcher of R&D Headquarters Advanced Cosmetic Research Laboratories of KOSÉ Corporation		
				Mar. 2004	General Manager of Product Development Dept. of KOSÉ Corporation		
				Mar. 2006	Executive Officer of KOSÉ Corporation		
				Mar. 2006	Deputy Director-General of Marketing Headquarters and General Manager of Product Development Dept. of KOSÉ Corporation		
				Mar. 2010	General Manager of R&D Laboratories of KOSÉ Corporation		
				Mar. 2011	General Manager of Quality Assurance Dept. of KOSÉ Corporation		
				Mar. 2011	Marketing Supervisor-General of KOSÉ Corporation		
				Jun. 2011	Director of KOSÉ Corporation		
				Jun. 2011	In charge of Quality Assurance Dept., Customer Service Center, Purchasing Dept., Product Designing Dept. of KOSÉ Corporation		
				Jun. 2017	Audit & Supervisory Board Member of KOSÉ Corporation (to present)		
				Mar. 2019	Audit & Supervisory Board Member of Kubota Corporation (to present)		
				Total			335

(Notes)

1. Among the Directors, Yuzuru Matsuda, Koichi Ina, and Yutaro Shintaku are the Outside Directors.
2. Among the Audit & Supervisory Board Members, Masaki Fujiwara, Masato Hinenoya, and Kumi Arakane are the Outside Audit & Supervisory Board Members.
3. The terms of office of the Directors will expire at the close of the Ordinary General Meeting of Shareholders for the year ending December 31, 2019 and began with the election at the Ordinary General Meeting of Shareholders for the year ended December 31, 2018.
4. The terms of office of the Audit & Supervisory Board Members will expire at the close of the Ordinary General Meeting of Shareholders for the year ending December 31, 2021 and began with the election at the Ordinary General Meeting of Shareholders for the year ended December 31, 2017.
5. The terms of office of the Audit & Supervisory Board Members will expire at the close of the Ordinary General Meeting of Shareholders for the year ending December 31, 2022 and began with the election at the Ordinary General Meeting of Shareholders for the year ended December 31, 2018.
6. Kubota Corporation adopted the Executive Officer System. The Executive Officers, excluding persons who also hold the post of Director as of the filing date, are as follows:

Title	Name	Responsibility
Senior Managing Executive Officer	Haruyuki Yoshida	President of Kubota Tractor Corporation, President of Kubota North America Corporation
Managing Executive Officer of Kubota Corporation	Kunio Suwa	General Manager of CSR Planning & Coordination Headquarters, General Manager of Human Rights Advancement Dept.
Managing Executive Officer of Kubota Corporation	Kaoru Hamada	Deputy General Manager of Research and Development Headquarters, General Manager of Water and Environment R&D
Managing Executive Officer of Kubota Corporation	Yasuo Nakata	General Manager of Quality Assurance Headquarters
Managing Executive Officer of Kubota Corporation	Kazuhiro Kimura	General Manager of Human Resources and General Affairs Headquarters, General Manager of Head Office
Managing Executive Officer of Kubota Corporation	Takao Shomura	General Manager of Procurement Headquarters

Managing Executive Officer of Kubota Corporation	Yuji Tomiyama	General Manager of Tractor Division
Managing Executive Officer of Kubota Corporation	Kazunari Shimokawa	President of Kverneland AS, President of Kubota Holdings Europe B.V.
Managing Executive Officer of Kubota Corporation	Mutsuo Uchida	General Manager of Pipe Systems and Infrastructure Division
Managing Executive Officer of Kubota Corporation	Nobuyuki Ishii	Deputy General Manager of Farm and Industrial Machinery Strategy and Operations Headquarters, General Manager of Farm and Industrial Machinery Strategy and Operations Dept.
Managing Executive Officer of Kubota Corporation	Kazuhiro Shinabe	General Manager of Environmental Solutions Division
Managing Executive Officer of Kubota Corporation	Ryuichi Minami	General Manager of Harvester and Transplanter Division
Managing Executive Officer of Kubota Corporation	Yoshimitsu Ishibashi	Deputy General Manager of Tractor Division, General Manager of Compact Tractor Division
Managing Executive Officer of Kubota Corporation	Yasukazu Kamada	General Manager of Engine Division
Managing Executive Officer of Kubota Corporation	Katsuhiko Yukawa	General Manager of Construction Machinery Division
Executive Officer of Kubota Corporation	Ryoji Kuroda	General Manager of Health and Safety Promotion Headquarters
Executive Officer of Kubota Corporation	Eiji Yoshioka	Responsible for Special Tasks Assigned by President
Executive Officer of Kubota Corporation	Muneji Okamoto	General Manager of Farm and Utility Machinery Engineering Headquarters
Executive Officer of Kubota Corporation	Hiroto Kimura	President of SIAM KUBOTA Corporation Co., Ltd.
Executive Officer of Kubota Corporation	Koichiro Kan	General Manager of Agricultural Tractor Division
Executive Officer of Kubota Corporation	Hirohiko Arai	President of Kubota Manufacturing of America Corporation, President of Kubota Industrial Equipment Corporation
Executive Officer of Kubota Corporation	Tomohiro Iitsuka	General Manager of Farm Machinery Japan Operation, President of Kubota Agri Service Corporation
Executive Officer of Kubota Corporation	Kazushi Ito	Deputy General Manager of Planning and Control Headquarters, General Manager of Global Management Promotion Dept., General Manager of Strategy Planning Dept.
Executive Officer of Kubota Corporation	Koichi Yamamoto	General Manager of Manufacturing Headquarters
Executive Officer of Kubota Corporation	Mampei Yamamoto	General Manager of Hirakata Plant
Executive Officer of Kubota Corporation	Hitoshi Inada	General Manager of Pipe Systems Business Unit
Executive Officer of Kubota Corporation	Shingo Hanada	General Manager of Outdoor Power Equipment Division
Executive Officer of Kubota Corporation	Nobushige Ichikawa	President of Kubota Europe S.A.S., Vice President of Kubota Holdings Europe B.V.,

6. Corporate Governance

(1) Corporate Governance

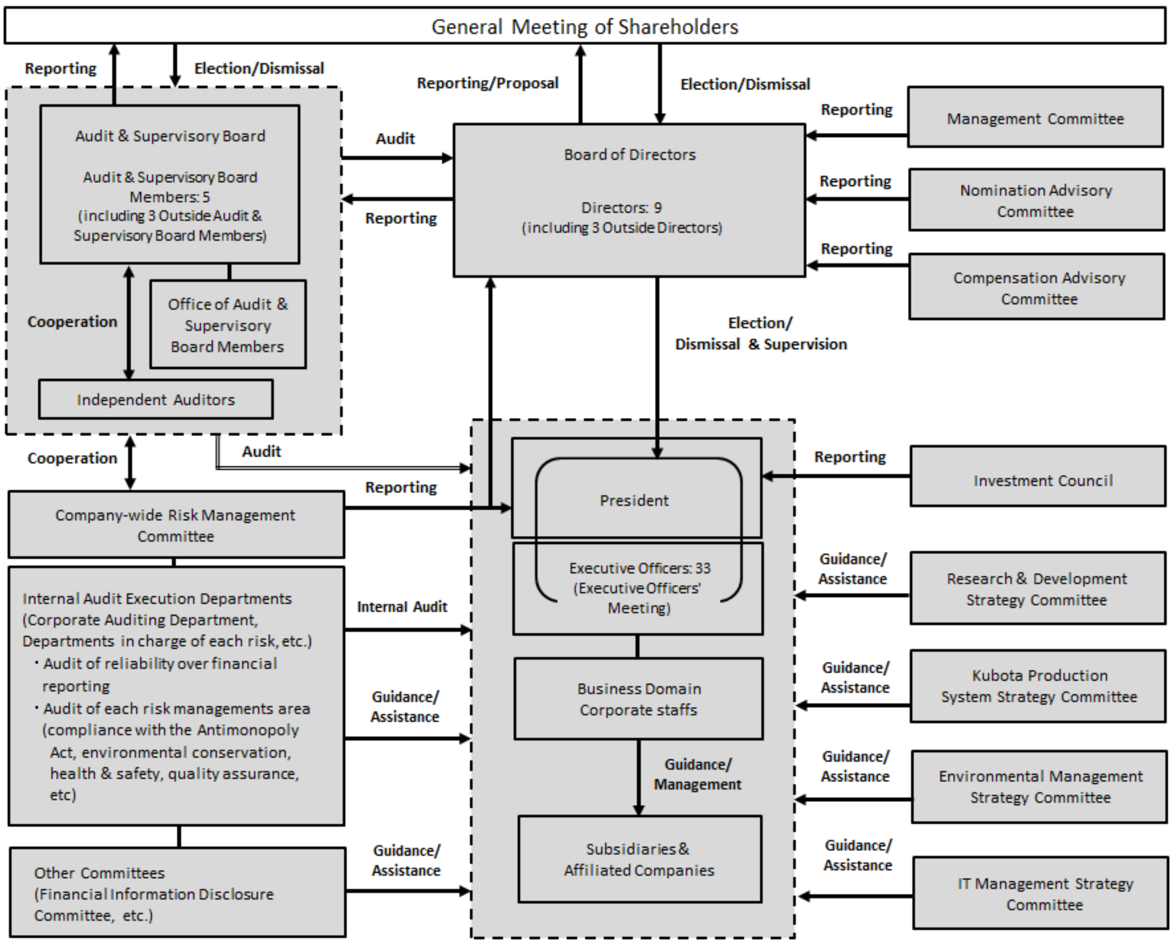
Among various management objectives, Kubota Corporation puts the highest priority on stable and sustainable enhancement of corporate value. To realize the above, Kubota Corporation considers it critical to enhance its corporate value as a whole by satisfying all surrounding stakeholders and by balancing the following three values: economic value, social value, and environmental value. To be more competitive as a global company, Kubota Corporation places top priority on the enhancement of its corporate governance and has been continuously working on such enhancement.

To increase the confidence and understanding by shareholders, investors, and society, Kubota Corporation will make accurate and timely disclosures of corporate information, such as results of operations on a quarterly basis and management policies, and fulfill its responsibilities for transparency and accountability in corporate activities.

1) Corporate Governance Structure

a) Outline of Corporate Governance Structure and Reasons for Such Structure

In order to respond to business environments in a timely manner and achieve enhanced transparency in its management structure, Kubota Corporation has adopted the following corporate governance structure (as of March 22, 2019).



The Board of Directors makes strategic decisions and oversees the execution of duties by the Executive Officers. It consists of nine Directors (three of whom are Outside Directors). In addition to its regular monthly board meetings, it also meets as and when required to discuss and make decisions relating to management planning, financial planning, investment, business restructuring, and other important management issues.

The Audit & Supervisory Board oversees and audits the execution of duties by the Directors. It consists of five Audit & Supervisory Board Members (three of whom are Outside Audit & Supervisory Board Members). In addition to its regular monthly Audit & Supervisory Board Meetings, it also meets as and when required to discuss and make decisions with regard to auditing policy, audit reports, and other matters.

Kubota Corporation has adopted the Executive Officer System in order to strengthen business execution by each department and make prompt and appropriate business decisions. The Executive Officers' Meeting consists of the President and Representative Director (the "President") and 33 Executive Officers. In addition to its regular monthly meetings, it also meets as and when required. The President instructs the Executive Officers on policies and decisions made by the Board of Directors. The Executive Officers report to the President regarding the status of their execution of duties.

Kubota Corporation has a Management Committee and Investment Council in place in order to discuss and make decisions in regard to specific and important issues. The Management Committee meets to deliberate on important management matters, such as investments, loans, and mid-term management plans, before they are discussed by the Board of Directors. The Investment Council gives the President advice on matters to be decided by the President, except those deliberated by the Management Committee, as well as special matters.

In addition, Kubota Corporation has a Nomination Advisory Committee and Compensation Advisory Committee in place, in which more than half of the members are Outside Directors, to give advice to the Board of Directors. The Nomination Advisory Committee and Compensation Advisory Committee meet to deliberate on nominations of candidates for Directors, and the compensation system and compensation level of the Directors with appropriate involvement and advice from the Outside Directors.

Pursuant to Article 427, Paragraph 1 of the Companies Act, Kubota Corporation enters into Liability Limitation Agreements with each of the Outside Directors and the Outside Audit & Supervisory Board Members, acting in good faith and without significant negligence, which limit the maximum amount of their liabilities owed to Kubota Corporation arising in connection with their failure to perform their duties to the extent permitted by the Companies Act.

b) Status of the Development of Internal Control System

As a basis of the system to ensure that the Directors, Executive Officers, and employees perform their duties in compliance with laws and regulations and its Articles of Incorporation, Kubota Corporation established the Kubota Group Charter for Action & Code of Conduct to be observed by all Directors, Executive Officers, and employees of the Kubota Group.

Kubota Corporation has a Company-wide Risk Management Committee in place in order to properly control material risks the Kubota Group might face and ensure its appropriate growth and development based on its management principles.

Under the Company-wide Risk Management Committee, a department in charge designated for each risk category of management risks (the "Department in Charge") undertakes activities, such as education and training to promote compliance with laws and ethics, and performs internal audits. Kubota Corporation has established the Kubota Hot Line, a service counter for in-house whistle-blowing and consultations, to discover at an early stage any improper conduct that infringes on laws or other regulations and to prevent such infringements from occurring. The interests and privacy of the informant are fully protected by internal rules and regulations.

Kubota Corporation has a Financial Information Disclosure Committee in place in order to review and assess the adequacy of significant financial reporting, such as the Annual Securities Report, etc., and the effectiveness of internal controls over financial reporting.

c) Status of Risk Control Structure and Development of Information Risk Control Structure

Kubota Corporation manages risks related to compliance with laws and regulations, environment, health and safety, disasters, quality, and other risks related to the business performance of the entire Kubota Group by establishing the Department in Charge or relevant committees, which are supervised by the Company-wide Risk Management Committee, and by providing internal rules, regulations, and manuals and other guidelines to address such risks. In order to address the new risks that the Kubota Group will face, the Company-wide Risk Management Committee will assign a Department in Charge to manage such new risks.

Kubota Corporation properly keeps and controls information on the execution of duties by the Directors and the Executive Officers in accordance with its in-house rules and regulations, such as the regulations on custody of documents. Kubota Corporation also maintains a standard by which such documents are available for examination, as necessary.

d) Status of System to Ensure Appropriateness of Subsidiaries' Business Performance

Kubota Corporation put in place a system to supervise and manage both domestic and overseas subsidiaries and affiliated companies by assigning a Department in Charge and requiring it to report operation results and plans in a business review meeting held by senior management of Kubota Corporation.

2) Status of Internal Audit, Audit by Audit & Supervisory Board Members, and Audit by Independent Auditors
Internal audit on the Company's internal control over financial reporting is conducted by the Corporate Auditing Department, which is independent from all other departments of the Company and made up of 14 employees who have the necessary expertise. Internal audits on other risks are conducted by the relevant Department in Charge, and secondary internal audits are conducted by the independent Corporate Auditing Department in order to ensure the adequacy of preceding internal audits. Internal audits are conducted on site or remotely through documentation reviews, based on audit plans previously approved by the President.

The Audit & Supervisory Board Members attend important meetings such as the Meetings of the Board of Directors and audit the execution of the duties by the Directors, business operation departments, indirect departments, subsidiaries, and affiliated companies in accordance with the auditing principles determined by the Audit & Supervisory Board. They also supervise Kubota Corporation's financial reporting system and accounting principles and review its material documents, such as (consolidated) financial statements, pursuant to the fourth paragraph of Article 444 of the Companies Act. A system has been established, where in any issues that affect the Company's business operations are to be reported to the Audit & Supervisory Board Members with no delay. Kubota Corporation established the Office of Audit & Supervisory Board Members and has assigned five employees to exclusively support the Audit & Supervisory Board Members in performing their duties. Those employees' independence is ensured as the employees' appointment and evaluation require a discussion with and consent from the Audit & Supervisory Board Members. As of March 22, 2019, Kubota Corporation will place four members in the Office of Audit & Supervisory Board Members, to engage in audits exclusively for subsidiaries in order to provide support for the Kubota Corporation's Audit & Supervisory Board Members and improve internal control over the Kubota Group. Also, Kubota Corporation put in place a system where in any expenses incurred related to execution of duties by the Audit & Supervisory Board Members are to be disbursed with no delay. Mr. Masato Hinenoya, an Outside Audit & Supervisory Board Member of Kubota Corporation, is a certified public accountant and has adequate knowledge regarding accounting and finance, including IFRS.

Kubota Corporation appointed Deloitte Touche Tohmatsu LLC ("DTT") as Independent Auditors of Kubota Corporation. The certified public accountants ("CPA(s)") belonging to DTT, Mr. Koichiro Tsukuda, Mr. Akihiro Okada, and Mr. Takeshi Io, audit the financial statements of Kubota Corporation. In addition, 44 other CPAs, 13 junior accountants, and 45 other staff members assist in the execution of the audits as instructed by the above three CPAs.

Internal audit departments and the Independent Auditors of Kubota Corporation report audit plans and the results of audits to the Audit & Supervisory Board Members periodically, and as needed, collaborate with each other. Effective cooperation in the auditing activities between the internal audit departments and the Independent Auditors of Kubota Corporation is also established, whereby they are able to exchange information with each other, if such a need arises.

Audit findings are discussed for improvement by each department, and the Department in Charge and audits are reperformed to ensure that the necessary improvements are being made. Risk control activities, such as awareness-raising, educational activities, audits, identification of issues, improvements, and reperformed audits, are conducted during these audits by each department. The results and countermeasures developed are reported to the Company-wide Risk Management Committee, which is responsible for internal controls. The Company-wide Risk Management Committee reports the status of Kubota Corporation's internal controls to the President and the Board of Directors. Through these activity cycles, Kubota Corporation seeks to establish and strengthen its internal controls and enhance the quality of business execution.

3) Outside Directors and Outside Audit & Supervisory Board Members
Kubota Corporation elects three Outside Directors and three Outside Audit & Supervisory Board Members. In selecting candidates for the positions of the Outside Directors and the Outside Audit & Supervisory Board Members, Kubota Corporation considers experience outside Kubota Corporation, professional insight, and other qualifications, and makes recommendations at them to the General Meeting of Shareholders after approval by the Board of Directors. Kubota Corporation established policies related to criteria for independence when electing the Outside Directors by reference to the rules for Independent Executives defined by the TSE. Kubota Corporation elects those who have no conflict of interest with ordinary shareholders accordingly.

Kubota Corporation elected Yuzuru Matsuda as an Outside Director since Kubota Corporation wishes to receive his advice about general management based on his adequate experience and considerable insight in management which he acquired through his duties as the long-time president of a listed company. Kubota Corporation has no business relationship with Kyowa Hakko Kirin Co., Ltd., for which Mr. Matsuda used to serve as a director, and Kato Memorial Bioscience Foundation, BANDAI NAMCO Holdings, Inc., and JSR Corporation, for which Mr. Matsuda currently serves as a director. Kubota Corporation places him as an Independent Executive since there is no particular vested interest between Kubota Corporation and him, and there appears to be no conflict of interest with ordinary shareholders.

Kubota Corporation elected Koichi Ina as an Outside Director since Kubota Corporation wishes to receive his advice about general management based on his adequate experience and considerable insight into management which he acquired through his duties as a president, chairman, and plant and manufacturing manager in the motor vehicle industry. Kubota Corporation has no business relationship with Toyota Motor Corporation, for which Mr. Ina used to serve as a director and adviser. Kubota Corporation has a business relationship with Daihatsu Motor Co., Ltd., for which Mr. Ina currently serves as adviser, but the amount arising from the above transactions for the year ended December 31, 2018 was less than 1% of total consolidated revenues of the Company. Kubota Corporation places him as an Independent Executive since there is no particular vested interest between Kubota Corporation and him, and there appears to be no conflict of interest with ordinary shareholders.

Kubota Corporation elected Yutaro Shintaku as an Outside Director since Kubota Corporation wishes to receive his advice about general management based on his accomplishments in actively promoting strategy and experience which he acquired through his duties as a member of top managements of a medical device manufacturer. Kubota Corporation has no business relationship with Terumo Corporation, Santen Pharmaceutical Co., Ltd., J-Oil Mills, Inc., and Tonen International Scholarship Foundation, for which Mr. Shintaku currently serves as an advisor, director, and executive trustee. Kubota Corporation places him as an Independent Executive since there is no particular vested interest between Kubota Corporation and him, and there appears to be no conflict of interest with ordinary shareholders.

Kubota Corporation elected Masaki Fujiwara as an Outside Audit & Supervisory Board Member since Kubota Corporation expects him to further enhance its auditing procedures during this period of further global advancement of the Company. Having served in key administrative and executive roles at Panasonic Corporation and its subsidiaries and affiliated companies, he has both considerable knowledge relating to administration and corporate accounting, and a good feel for global business through his long-standing experience stationed overseas. Kubota Corporation has a business relationship with Panasonic Corporation, at which Mr. Fujiwara initially started his career, but the amount arising from the above transactions for the year ended December 31, 2018 was less than 1% of total consolidated revenue of the Company. Kubota Corporation has no business relationship with Sansha Electric Manufacturing Co., Ltd., for which Mr. Fujiwara currently serves as a director. Kubota Corporation places him as an Independent Executive since there is no particular vested interest between Kubota Corporation and him, and there seems to be no conflict of interest with ordinary shareholders.

Kubota Corporation elected Masato Hinenoya as an Outside Audit & Supervisory Board Member since Kubota Corporation expects him to further enhance its auditing procedures during this period of further global advancement of the Company. In addition to his considerable insight as a CPA in corporate accounting and finance, Mr. Hinenoya also possesses a global sensibility based on his long experience working abroad. Kubota Corporation has no business relationship with KPMG AZSA LLC, at which Mr. Suzuki initially started his career as a CPA, and Hinenoya CPA Office for which Mr. Hinenoya currently serves as a representative. Kubota Corporation places him as an Independent Executive since there is no particular vested interest between Kubota Corporation and him, and there seems to be no conflict of interest with ordinary shareholders.

Kubota Corporation elected Kumi Arakane as an Outside Audit & Supervisory Board member since Kubota Corporation wishes her to further enhance its auditing procedures based on her long career at KOSÉ Corporation serving as a Director and being in charge of various areas of business, including product development, research, quality control, and purchasing. Ms. Arakane currently serves as an Audit & Supervisory Board Member of KOSÉ Corporation; she is also well versed in those duties. Kubota Corporation has no business relationship with KOSÉ Corporation, at which Ms. Arakane started her career and currently serves. Kubota Corporation places her as an Independent Executive since there is no particular vested interest between Kubota Corporation and her, and there seems to be no conflict of interest with ordinary shareholders.

Share ownership of Kubota Corporation by the Outside Directors and the Outside Audit & Supervisory Board Members is stated in *5. Directors and Senior Management*. There is no material vested interest which might have a conflict of interest with ordinary shareholders. Kubota Corporation has notified the TSE that all Outside Directors and Audit & Supervisory Board Members are Independent Executives as defined by the TSE.

The Outside Directors also collaborate with Independent Auditors and internal control departments as described in *2) Status of Internal Audit, Audit by Audit & Supervisory Board Members, and Audit by Independent Auditors, (1) Corporate Governance, 6. Corporate Governance.*

4) Compensation

a) Compensation by Position

The aggregate compensation paid by Kubota Corporation for the year ended December 31, 2018 to the Directors and the Audit & Supervisory Board Members was as follows:

Position	Number of persons	Total amount of compensation (millions of yen)	Total amount by type (millions of yen)		
			Remunerations	Bonuses	Restricted stock compensation
Directors (excluding Outside Directors)	8	¥ 676	¥ 350	¥ 260	¥ 66
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	3	72	72	—	—
Outside Directors and Outside Audit & Supervisory Board Members	6	74	74	—	—

(Notes)

1. The remuneration for the Directors consists of basic remuneration, which is set by corporate rank: variable remuneration (bonuses for Directors); which acts as a short-term incentive linked to performance in a single fiscal year; and restricted stock compensation, which is regarded as a medium- to long-term incentive. However, the remuneration for the Outside Directors consists of basic remuneration only because of the roles they play and the need to preserve their independence.
   At the Meetings of the Board of Directors, the basic remuneration for the Directors is determined within the range of the maximum aggregate amount of remuneration approved at the General Meeting of Shareholders after it has been deliberated on in the Compensation Advisory Committee in consideration of the Company's operating results, compensation levels of other companies, and other factors. In addition, the total amount of bonuses for the Directors is decided by the General Meeting of Shareholders. The amount of stock compensation is determined at the Meetings of the Board of Directors after being deliberated on in the Compensation Advisory Committee, within the limits established by the total amount of the monetary compensation claims and the total number of common shares to be issued or disposed of as approved at the General Meeting of Shareholders. Furthermore, if the Director covered by the restricted compensation plan is a non-resident of Japan because of reasons such as playing the role of an overseas representative, the monetary compensation claims are temporarily suspended during the above period, in consideration of local laws and regulations. However once his/her role is over and he/she becomes a domestic resident, the suspended monetrary compensation claims are granted to him/her.
   The compensation for the Audit & Supervisory Board Members consists of basic remuneration only because of the roles they play and the need to preserve their independence and is determined upon consultation among the Audit & Supervisory Board Members within the range of the maximum aggregate amounts of compensation approved at the General Meeting of Shareholders in consideration of the roles of the respective Audit & Supervisory Board Members.
2. The amount of restricted stock compensation stated in the table above is the amount recognized as expense during the current fiscal year.
3. The above includes the compensation of one Director and one Audit & Supervisory Board Member who retired due to expiration of the terms of office at the close of the 128th Ordinary General Meeting of Shareholders held on March 23, 2018.

b) Consolidated Compensation by Directors and Audit & Supervisory Board Members

The aggregate compensation paid by the Company for the year ended December 31, 2018 to the Directors and the Audit & Supervisory Board Members was as follows:

Name	Total amount of consolidated compensation (millions of yen)	Position	Company	Total amount by type (millions of yen)		
				Remuneration	Bonuses	Restricted stock compensation
Masatoshi Kimata	¥ 184	Director	Kubota Corporation	¥ 100	¥ 65	¥ 19

(Note) The above includes only Directors and Audit & Supervisory Board Members who received ¥100 million or more as total consolidated compensation.

5) Information on Shareholdings

a) Equity Securities Held for Purposes Other than Net Investment

The number of issues and the amount of equity securities held for purposes other than net investment recorded on the balance sheets are as follows:

Number of issues	95
Amount recorded on balance sheets (millions of yen)	¥ 108,265

b) Information on Equity Securities Held for Purposes Other than Net Investment

The Issues, the number of shares, and the amount of equity securities held for purposes other than net investments recorded on the balance sheets by purpose of holding are as follows:

(The year ended December 31, 2018)

Specified Investment Securities

Issue	Number of shares (thousands of shares)	Balance sheet amount (millions of yen)	Purpose of holding
Cummins Inc.	2,100	¥ 31,151	Maintaining and enhancing business relationships
Sumitomo Mitsui Financial Group, Inc.	3,082	11,237	Maintaining and enhancing business relationships
Sumitomo Mitsui Trust Holdings, Inc.	2,753	11,073	Maintaining and enhancing business relationships
Toho Gas Co., Ltd.	1,439	6,671	Maintaining and enhancing business relationships
Osaka Gas Co., Ltd.	3,125	6,279	Maintaining and enhancing business relationships
Mitsubishi UFJ Financial Group, Inc.	10,667	5,737	Maintaining and enhancing business relationships
Daikin Industries, Ltd.	350	4,100	Maintaining and enhancing business relationships
Shin-Etsu Chemical Co., Ltd.	464	3,965	Maintaining and enhancing business relationships
Mizuho Financial Group, Inc.	16,677	2,840	Maintaining and enhancing business relationships
MS & AD Insurance Group Holdings, Inc.	852	2,669	Maintaining and enhancing business relationships
Daiwa House Industry Co., Ltd.	609	2,130	Maintaining and enhancing business relationships
Sumitomo Corporation	1,222	1,908	Maintaining and enhancing business relationships
Mitsubishi Estate Co., Ltd.	1,052	1,819	Maintaining and enhancing business relationships
Saibu Gas Co., Ltd.	586	1,488	Maintaining and enhancing business relationships
Yamazen Corporation	1,055	1,088	Maintaining and enhancing business relationships
Nankai Electric Railway Co., Ltd.	366	1,064	Maintaining and enhancing business relationships
Takasago Thermal Engineering Co., Ltd.	411	735	Maintaining and enhancing business relationships
Denyo Co., Ltd.	500	674	Maintaining and enhancing business relationships
U-Shin Ltd.	623	608	Maintaining and enhancing business relationships
Keneka Corporation	138	546	Maintaining and enhancing business relationships
Sekisui House, Ltd.	324	524	Maintaining and enhancing business relationships
Kansai Paint Co., Ltd.	246	520	Maintaining and enhancing business relationships
NTN Corporation	1,616	513	Maintaining and enhancing business relationships

Takara Standard Co., Ltd.	266	437	Maintaining and enhancing business relationships

Deemed Shareholdings

Issue	Number of shares (thousands of shares)	Balance sheet amount (millions of yen)	Purpose of holding
Shin-Etsu Chemical Co., Ltd.	620	¥ 5,292	Having a right to exercise voting rights
Mizuho Financial Group, Inc.	17,201	2,929	Having a right to exercise voting rights
Sumitomo Mitsui Financial Group, Inc.	641	2,339	Having a right to exercise voting rights
Mitsubishi UFJ Financial Group, Inc.	3,344	1,798	Having a right to exercise voting rights
Sumitomo Corporation	1,000	1,561	Having a right to exercise voting rights
Kaneka Corporation	207	818	Having a right to exercise voting rights

(Notes)
1. In order to specify the major issues in light of the amount recorded on the balance sheets, specified investment securities and deemed shareholdings have not been combined.
2. Deemed shareholdings are held through a retirement benefit trust. The amounts stated in the *Balance sheet amount* column are calculated by multiplying market price as of the balance sheet date by the number of shares of related securities. The details of rights that Kubota Corporation holds to related securities are stated in the *Purpose of holding* column.

(The year ended December 31, 2017)
Specified Investment Securities

Issue	Number of shares (thousands of shares)	Balance sheet amount (millions of yen)	Purpose of holding
Cummins Inc.	2,100	¥ 41,916	Maintaining and enhancing business relationships
Sumitomo Mitsui Financial Group, Inc.	3,082	15,007	Maintaining and enhancing business relationships
Sumitomo Mitsui Trust Holdings, Inc.	2,945	13,173	Maintaining and enhancing business relationships
Mitsubishi UFJ Financial Group, Inc.	10,667	8,815	Maintaining and enhancing business relationships
Osaka Gas Co., Ltd.	3,125	6,782	Maintaining and enhancing business relationships
Mizuho Financial Group, Inc.	26,563	5,434	Maintaining and enhancing business relationships
Shin-Etsu Chemical Co., Ltd.	464	5,319	Maintaining and enhancing business relationships
Daikin Industries, Ltd.	350	4,675	Maintaining and enhancing business relationships
Toho Gas Co., Ltd.	1,439	4,447	Maintaining and enhancing business relationships
MS & AD Insurance Group Holdings, Inc.	852	3,250	Maintaining and enhancing business relationships
Daiwa House Industry Co., Ltd.	609	2,635	Maintaining and enhancing business relationships
Sumitomo Corporation	1,222	2,340	Maintaining and enhancing business relationships
Mitsubishi Estate Co., Ltd.	1,052	2,061	Maintaining and enhancing business relationships
Saibu Gas Co., Ltd.	586	1,651	Maintaining and enhancing business relationships
Yakult Honsha Co., Ltd.	171	1,457	Maintaining and enhancing business relationships
Yamazen Corporation	1,055	1,402	Maintaining and enhancing business relationships
Nankai Electric Railway Co., Ltd.	366	1,022	Maintaining and enhancing business relationships

Denyo Co., Ltd.	500	1,009	Maintaining and enhancing business relationships
NTN Corporation	1,616	903	Maintaining and enhancing business relationships
Takasago Thermal Engineering Co., Ltd.	411	848	Maintaining and enhancing business relationships
Kansai Paint Co., Ltd.	246	720	Maintaining and enhancing business relationships
Tokyo Gas Co., Ltd.	277	715	Maintaining and enhancing business relationships
Keneka Corporation	693	713	Maintaining and enhancing business relationships
Meiji Holdings Co., Ltd.	73	704	Maintaining and enhancing business relationships

Deemed Shareholdings

Issue	Number of shares (thousands of shares)	Balance sheet amount (millions of yen)	Purpose of holding
Shin-Etsu Chemical Co., Ltd.	620	¥ 7,099	Having a right to exercise voting rights
Mizuho Financial Group, Inc.	17,201	3,519	Having a right to exercise voting rights
Sumitomo Mitsui Financial Group, Inc.	641	3,124	Having a right to exercise voting rights
Mitsubishi UFJ Financial Group, Inc.	3,344	2,763	Having a right to exercise voting rights
Sumitomo Corporation	1,000	1,915	Having a right to exercise voting rights
Kaneka Corporation	1,039	1,069	Having a right to exercise voting rights

(Notes)

1. In order to specify the major issues in light of the amount recorded on the balance sheets, specified investment securities and deemed shareholdings have not been combined.
2. Deemed shareholdings are held through a retirement benefit trust. The amounts stated in the *Balance sheet amount* column are calculated by multiplying market price as of the balance sheet date by the number of shares of related securities. The details of rights that Kubota Corporation holds to related securities are stated in the *Purpose of holding* column.

c) Equity Securities Held for Net Investment

Not applicable.

6) Others

a) Quorum of Directors

The Articles of Incorporation of Kubota Corporation state that the number of Directors is to be ten or less.

b) Requirement for the Adoption of Resolutions for Electing Directors

Kubota Corporation stipulates in its Articles of Corporation that the presence of shareholders representing one-third or more of the voting rights held by the total shareholders entitled to exercise their voting rights and a majority of the votes held by those shareholders are required for the adoption of resolutions for the approval of elected Directors.

c) Acquisition of Treasury Stock

Kubota Corporation stipulates in its Articles of Corporation that the resolutions at the Meetings of the Board of Directors enable Kubota Corporation to acquire its treasury stock under Article 165, Paragraph 2 of the Companies Act, which facilitates Kubota Corporation to exercise acquisition of treasury stock flexibly.

d) Dividend Appropriated from Surplus

Kubota Corporation stipulates in its Articles of Corporation that dividend appropriated from surplus, which is defined by Article 459, Paragraph 1 of the Companies Act, is declared by resolutions at Meetings of the Board of Directors, unless otherwise stipulated by law, so that Kubota Corporation can return profit to its shareholders flexibly.

e) Interim Dividends

Kubota Corporation stipulates in its Article of Incorporation that interim dividends shall be paid to shareholders of record on June 30 upon resolution of Meetings of the Board of Directors.

f) Requirement for the Adoption of Special Resolution of General Meeting of Shareholders

Kubota Corporation stipulates in its Articles of Incorporation that the presence of shareholders representing one-third or more of the voting rights held by the total shareholders entitled to exercise their voting rights and two-thirds of the votes held by those shareholders are required for the adoption of special resolutions of General Meetings of Shareholders under Article 309, Paragraph 2 of the Companies Act. By relaxing the requirements for a quorum for special resolutions of General Meetings of Shareholders, deliberations for those resolutions can be made in a quick and efficient manner.

(2) Details of Auditing Fees and Other Matters

1) Details of Fees Paid to Independent Auditors

	Year ended December 31, 2018		Year ended December 31, 2017	
Company	Fees for auditing services (millions of yen)	Fees for non-auditing services (millions of yen)	Fees for auditing services (millions of yen)	Fees for non-auditing services (millions of yen)
Kubota Corporation	¥ 250	¥ 20	¥ 332	¥ 46
Consolidated subsidiaries	25	—	24	—
Total	¥ 275	¥ 20	¥ 356	¥ 46

2) Details of Other Significant Fees

Year Ended December 31, 2018

Kubota Corporation and 43 consolidated subsidiaries, such as Kubota Tractor Corporation, paid fees for audit certification work of ¥616 million and other non-auditing work, such as tax-related work, of ¥817 million to the member firms of Deloitte Touche Tohmatsu LLC (including group firms, such as tax accountant corporations), the Company's Independent Auditors, for the year ended December 31, 2018.

Year Ended December 31, 2017

Kubota Corporation and 41 consolidated subsidiaries, such as Kubota Tractor Corporation, paid fees for audit certification work of ¥625 million and other non-auditing work, such as tax-related work, of ¥659 million to the member firms of Deloitte Touche Tohmatsu LLC (including group firms, such as tax accountant corporations), the Company's Independent Auditors, for the year ended December 31, 2017.

3) Details of Non-Auditing Work Performed by Independent Auditor of Kubota Corporation

Year Ended December 31, 2018

Fees related to non-auditing work, such as consulting services on finance, were paid to Deloitte Touche Tohmatsu LLC by Kubota Corporation.

Year Ended December 31, 2017

Fees related to non-auditing work, such as consulting services on finance, were paid to Deloitte Touche Tohmatsu LLC by Kubota Corporation.

4) Policy for Determining Audit Fees

In determining audit fees, factors such as the number of days required for auditing are taken into account. The approval of the Audit & Supervisory Board is obtained, and consideration is taken not to impair the independence of certified public accounting firms when decisions on fees are made.

5. Stock-Related Administration of Kubota Corporation

Fiscal year:	From January 1 to December 31
Ordinary General Meeting of Shareholders:	During March
Record date:	December 31
Record date for dividend distribution of surplus:	June 30 and December 31
Number of shares per unit of shares:	100 shares
Purchase and sale of shares less than one unit:	
Handling office:	(Special account) 5-33, Kitahama 4-chome, Chuo-ku, Osaka, Japan Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Business Planning Dept.
Transfer agent:	(Special account) 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan Sumitomo Mitsui Trust Bank, Limited
Forward office:	—
Purchasing and selling fee:	Amount equivalent to fees for entrusting sale or purchase of stock
Method of public notice:	Kubota Corporation carries out its public notifications through electronic public notice. However, if the Company cannot use the above-mentioned method of public notice due to an accident or other inevitable reasons, public notification shall be posted in the Nihon Keizai Shimbun (the Nikkei Newspaper). The URL of Kubota Corporation where electronic public notice is carried out is as follows: http://www.kubota.co.jp
Special benefit for shareholders:	Not applicable

(Note)

A holder of shares of Kubota Corporation representing less than one unit can only execute the following rights:

1) Rights under each item of Article 189, Paragraph 2 of the Companies Act,
2) Rights to claim under Article 166, Paragraph 1 of the Companies Act,
3) Rights to receive an allocation of share offerings and stock acquisition rights in proportion to the number of shares held, and
4) Rights to claim for the sale of shares by combining a share representing less than one unit.

6. Reference Information on Kubota Corporation

1. Information on Parent Company of Kubota Corporation

Kubota Corporation has no parent company.

2. Other Reference Information

Kubota Corporation filed the following documents during the period from the commencing date of the year ended December 31, 2018 to the filing date of the Annual Securities Report.

(1)	Annual Securities Report and the attachments thereto, and Confirmation Letter	Fiscal Year (the 128th business term)	From January 1, 2017 To December 31, 2017	Filed with the Director of the Kanto Local Finance Bureau on March 23, 2018
(2)	Internal Control Report and the attachments thereto	Fiscal Year (the 128th business term)	From January 1, 2017 To December 31, 2017	Filed with the Director of the Kanto Local Finance Bureau on March 23, 2018
(3)	Quarterly Reports and Confirmation Letters	(First Quarter of the 129th business term)	From January 1, 2018 To March 31, 2018	Filed with the Director of the Kanto Local Finance Bureau on May 15, 2018
		(Second Quarter of the 129th business term)	From April 1, 2018 To June 30, 2018	Filed with the Director of the Kanto Local Finance Bureau on August 10, 2018
		(Third Quarter of the 129th business term)	From July 1, 2018 To September 30, 2018	Filed with the Director of the Kanto Local Finance Bureau on November 9, 2018
(4)	Extra Ordinary Report	Pursuant to Article 19, Paragraph 2, Item 9-2 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs (Results of Execution of Voting Rights at the General Meeting of Shareholders)		Filed with the Director of the Kanto Local Finance Bureau on March 27, 2018
		Pursuant to Article 19, Paragraph 2, Item 9 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs (Changes of Representative Directors)		Filed with the Director of the Kanto Local Finance Bureau on December 7, 2018
(5)	Securities Registration Statements (issuance of new shares under the restricted stock compensation plan) and attachments thereto			Filed with the Director of the Kanto Local Finance Bureau on March 30, 2018
(6)	Registration Form of Issuance (Stock, Bond, etc.) and the attachments thereto			Filed with the Director of the Kanto Local Finance Bureau on November 9, 2018
(7)	Revised Registration Form of Issuance (Bond)			Filed with the Director of the Kanto Local Finance Bureau on December 7, 2018
(8)	Status Report of Acquisition of Treasury Stock			Filed with the Director of the Kanto Local Finance Bureau: on May 10, 2018 on June 5, 2018 on July 4, 2018 on August 2, 2018 on September 5, 2018 on October 3, 2018 on November 6, 2018 on December 5, 2018 on January 9, 2019

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Consolidated Financial Statements

Kubota Corporation and Its Subsidiaries

(1) Consolidated Statement of Financial Position

(Unit: millions of yen)

	Note	December 31, 2018	December 31, 2017	January 1, 2017 (Transition date)
ASSETS				
Current assets:				
Cash and cash equivalents	5	¥ 229,123	¥ 230,720	¥ 169,416
Trade receivables	6	660,401	639,083	623,410
Finance receivables	7, 13	267,262	250,684	230,925
Other financial assets	8	54,373	51,515	63,710
Inventories	9	370,698	358,854	352,598
Income taxes receivable		4,416	20,787	17,325
Other current assets		53,250	56,783	52,414
Total current assets		1,639,523	1,608,426	1,509,798
Noncurrent assets:				
Investments accounted for using the equity method	10	30,611	29,333	28,505
Finance receivables	7, 13	621,886	559,479	491,444
Other financial assets	8	151,198	188,738	184,854
Property, plant, and equipment	11, 13	330,034	321,741	301,866
Goodwill and intangible assets	12	49,948	46,983	40,340
Deferred tax assets	24	50,055	48,987	50,698
Other noncurrent assets	18	22,400	28,677	26,275
Total noncurrent assets		1,256,132	1,223,938	1,123,982
Total assets		¥ 2,895,655	¥ 2,832,364	¥ 2,633,780

(Unit: millions of yen)

	Note	December 31, 2018	December 31, 2017	January 1, 2017 (Transition date)
LIABILITIES AND EQUITY				
Current liabilities:				
Bonds and borrowings	14	¥ 349,060	¥ 363,488	¥ 338,488
Trade payables	15	306,759	286,121	255,859
Other financial liabilities	13, 16	57,402	39,561	45,148
Income taxes payable		9,353	37,221	19,650
Provisions	17	22,415	21,213	17,387
Other current liabilities	19	177,834	169,849	157,872
Total current liabilities		922,823	917,453	834,404
Noncurrent liabilities:				
Bonds and borrowings	14	490,205	470,613	476,871
Other financial liabilities	13, 16	4,727	3,621	1,919
Retirement benefit liabilities	18	14,498	12,943	12,091
Deferred tax liabilities	24	29,308	41,175	35,861
Other noncurrent liabilities	17, 19	7,661	10,991	5,560
Total noncurrent liabilities		546,399	539,343	532,302
Total liabilities		1,469,222	1,456,796	1,366,706
Equity:				
Equity attributable to owners of the parent:	20			
Share capital		84,130	84,100	84,070
Share premium		85,305	85,037	84,605
Retained earnings		1,135,395	1,040,207	954,819
Other components of equity		35,343	81,924	70,463
Treasury shares		(323)	(174)	(192)
Total equity attributable to owners of the parent		1,339,850	1,291,094	1,193,765
Noncontrolling interests		86,583	84,474	73,309
Total equity		1,426,433	1,375,568	1,267,074
Total liabilities and equity		¥ 2,895,655	¥ 2,832,364	¥ 2,633,780

See notes to consolidated financial statements.

(2) Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income

Consolidated Statement of Profit or Loss

(Unit: millions of yen, except earnings per share)

Years ended December 31:	Note	2018	%	2017	%
Revenue	21	¥ 1,850,316	100.0	¥ 1,751,038	100.0
Cost of sales	9, 11, 12, 18	(1,322,930)		(1,238,553)	
Selling, general, and administrative expenses	11, 12, 18	(332,617)		(313,195)	
Other income	22	5,040		2,155	
Other expenses	22	(10,495)		(1,493)	
Operating profit		189,314	10.2	199,952	11.4
Finance income	23	9,816		24,245	
Finance costs	23	(1,900)		(10,190)	
Profit before income taxes		197,230	10.7	214,007	12.2
Income tax expenses	24	(49,119)		(73,177)	
Share of profits of investments accounted for using the equity method	10	2,034		2,469	
Profit for the year		¥ 150,145	8.1	¥ 143,299	8.2

Profit attributable to:					
Owners of the parent		¥ 138,595	7.5	¥ 134,160	7.7
Noncontrolling interests		¥ 11,550	0.6	¥ 9,139	0.5

Earnings per share attributable to owners of the parent:	25		
Basic		¥ 112.44	¥ 108.45
Diluted		¥ 112.44	¥ —

Consolidated Statement of Comprehensive Income

(Unit: millions of yen)

Years ended December 31:	Note	2018	2017
Profit for the year		¥ 150,145	¥ 143,299
Other comprehensive income, net of income tax:	20		
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit pension plans		(4,731)	2,851
Net change in fair value of financial assets measured at fair value through other comprehensive income		(21,626)	—
Items that may be reclassified subsequently to profit or loss:			
Exchange rate differences on translating foreign operations		(26,183)	9,380
Unrealized gains on securities		—	5,895
Total other comprehensive income, net of income tax		(52,540)	18,126
Comprehensive income for the year		¥ 97,605	¥ 161,425

Comprehensive income attributable to:		
Owners of the parent	¥ 87,544	¥ 148,460
Noncontrolling interests	¥ 10,061	¥ 12,965

See notes to consolidated financial statements.

(3) Consolidated Statement of Changes in Equity

(Unit: millions of yen)

		Equity attributable to owners of the parent							
	Note	Share capital	Share premium	Retained earnings	Other components of equity	Treasury shares	Total equity attributable to owners of the parent	Noncontolling interests	Total equity
Balance as of January 1, 2017		¥ 84,070	¥ 84,605	¥ 954,819	¥ 70,463	¥ (192)	¥ 1,193,765	¥ 73,309	¥ 1,267,074
Profit for the year				134,160			134,160	9,139	143,299
Total other comprehensive income, net of income tax	20				14,300		14,300	3,826	18,126
Comprehensive income for the year				134,160	14,300		148,460	12,965	161,425
Transfer to retained earnings				2,839	(2,839)		—		—
Dividends paid	20			(38,421)			(38,421)	(3,744)	(42,165)
Purchases and sales of treasury shares			144			(13,172)	(13,028)		(13,028)
Retirement of treasury shares				(13,190)		13,190	—		—
Share-based payments with transfer restrictions		30	15				45		45
Changes in ownership interests in subsidiaries			273				273	1,944	2,217
Balance as of December 31, 2017		¥ 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				1,377	3,262		4,639	1,014	5,653
Profit for the year				138,595			138,595	11,550	150,145
Total other comprehensive income, net of income tax	20				(51,051)		(51,051)	(1,489)	(52,540)
Comprehensive income for the year				138,595	(51,051)		87,544	10,061	97,605
Transfer to retained earnings				(1,233)	1,233		—		—
Dividends paid	20			(40,697)			(40,697)	(6,384)	(47,081)
Purchases and sales of treasury shares						(3,003)	(3,003)		(3,003)
Retirement of treasury shares				(2,854)		2,854	—		—
Share-based payments with transfer restrictions		30	30				60		60
Changes in ownership interests in subsidiaries			238		(25)		213	(2,582)	(2,369)
Balance as of December 31, 2018		¥ 84,130	¥ 85,305	¥ 1,135,395	¥ 35,343	¥ (323)	¥ 1,339,850	¥ 86,583	¥ 1,426,433

See notes to consolidated financial statements.

(4) Consolidated Statement of Cash Flows

(Unit: millions of yen)

Years ended December 31:	Note	2018	2017
Cash flows from operating activities:			
Profit for the year		¥ 150,145	¥ 143,299
Depreciation and amortization		49,624	45,136
Finance income and costs		(7,067)	(14,726)
Income tax expenses		49,119	73,177
Share of profits of investments accounted for using the equity method		(2,034)	(2,469)
Increase in trade receivables		(26,477)	(19,391)
Increase in finance receivables		(97,293)	(86,215)
(Increase) decrease in inventories		(25,478)	4,758
Decrease (increase) in other assets		3,180	(2,827)
Increase in trade payables		24,679	26,795
Increase in other liabilities		24,505	21,248
Net changes in retirement benefit assets and liabilities		1,800	611
Other, net		3,406	(2,575)
Interest received		4,414	4,079
Dividends received		3,630	3,613
Interest paid		(955)	(889)
Income taxes paid, net		(66,050)	(56,439)
Net cash provided by operating activities		89,148	137,185
Cash flows from investing activities:			
Payments for acquisition of property, plant, and equipment		(51,035)	(58,460)
Payments for acquisition of intangible assets		(12,361)	(10,475)
Proceeds from sales and redemptions of securities		7,502	11,990
Payments for loans receivable from associates		(34,010)	(54,559)
Collection of loans receivable from associates		34,375	57,397
Payments for time deposits		(14,790)	(21,570)
Proceeds from withdrawal of time deposits		20,732	36,500
Payments for acquisition of short-term investments		(21,104)	(9,377)
Proceeds from sales and redemptions of short-term investments		13,030	1,980
Other, net		(1,095)	590
Net cash used in investing activities		(58,756)	(45,984)
Cash flow from financing activities:			
Funding from bonds and long-term borrowings	26	229,214	205,677
Redemptions of bonds and repayments of long-term borrowings	26	(217,315)	(165,954)
Net increase (decrease) in short-term borrowings	26	12,766	(17,291)
Dividends paid	20	(40,697)	(38,421)
Purchases of treasury shares		(3,003)	(13,197)
Proceeds from acquisition of noncontrolling interests		(2,402)	—
Other, net		(6,379)	(3,389)
Net cash used in financing activities		(27,816)	(32,575)
Effect of exchange rate changes on cash and cash equivalents		(4,173)	2,678
Net (decrease) increase in cash and cash equivalents		(1,597)	61,304
Cash and cash equivalents, at the beginning of the year	5	230,720	169,416
Cash and cash equivalents, at the end of the year	5	¥ 229,123	¥ 230,720

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements
Kubota Corporation and Its Subsidiaries

1. REPORTING ENTITY

Kubota Corporation (the "Parent Company") is an entity located in Japan. The Parent Company and its subsidiaries (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 ("IFRS") and Disclosure of First-time Adoption

The consolidated financial statements of the Company are prepared in accordance with IFRS, as permitted by the provision of Article 93 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (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 ended December 31, 2018, and the date of transition to IFRS (the "transition date") was January 1, 2017. In transitioning to IFRS, the Company applied IFRS 1, *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"). The effects of the transition to IFRS on the Company's financial position, operating results, and cash flows are stated in Note 32. DISCLOSURE OF TRANSITION TO IFRS.

Basis of Measurement

Except for the items stated in Note 3. SIGNIFICANT ACCOUNTING POLICIES, the Company's consolidated financial statements are prepared on a historical cost basis.

Functional Currency and Presentation Currency

The 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 Judgements, Estimates, and Assumptions

The consolidated financial statements of the Company are prepared by using judgements, estimates, and assumptions relating to the application of accounting policies and 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 future periods.

The judgements made in adopting accounting policies, which could have a material impact on the Company's consolidated financial statements, are as follows:

(a) Scope of consolidated subsidiaries, associates, and joint ventures (please refer to Note 3. SIGNIFICANT ACCOUNTING POLICIES, Basis of Consolidation)
(b) Classification of financial instruments (please refer to Note 3. SIGNIFICANT ACCOUNTING POLICIES, Financial Instruments)
(c) Timing of satisfaction of performance obligations (please refer to Note 3. SIGNIFICANT ACCOUNTING POLICIES, Revenue Recognition)

The information related to risks and uncertainties arising from assumptions and estimates that could result in material adjustments after the financial statement date is as follows:

(a) Impairment of financial assets measured at amortized cost using the effective interest method (please refer to Note 3. SIGNIFICANT ACCOUNTING POLICIES, Financial Instruments and Note 27. FINANCIAL INSTRUMENTS)
(b) Fair value measurement on financial instruments (please refer to Note 3. SIGNIFICANT ACCOUNTING POLICIES,

Financial Instruments and Note 27. FINANCIAL INSTRUMENTS)

(c) Impairment of nonfinancial assets (please refer to Note 3. SIGNIFICANT ACCOUNTING POLICIES, Impairment of Nonfinancial Assets and Note 11. PROPERTY, PLANT, AND EQUIPMENT and Note 12. GOODWILL AND INTANGIBLE ASSETS)

(d) Measurement of provisions (please refer to Note 3. SIGNIFICANT ACCOUNTING POLICIES, Provisions and Note 17. PROVISIONS)

(e) Measurement of defined benefit pension plans (please refer to Note 3. SIGNIFICANT ACCOUNTING POLICIES, Postemployment Benefits and Note 18. EMPLOYEE BENEFITS)

(f) Measurement of progress towards complete satisfaction of a performance obligation (please refer to Note 3. SIGNIFICANT ACCOUNTING POLICIES, Revenue Recognition and Note 21. REVENUE)

(g) Estimation of variable consideration (please refer to Note 3. SIGNIFICANT ACCOUNTING POLICIES, Revenue Recognition and Note 21. REVENUE)

(h) Reliability of deferred tax assets (please refer to Note 3. SIGNIFICANT ACCOUNTING POLICIES, Income Taxes and Note 24. INCOME TAXES)

(i) Contingent liabilities (please refer to Note 30. COMMITMENTS AND CONTINGENT LIABILITIES)

3. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies are applied to all periods presented in the consolidated financial statements, including the consolidated statement of financial positon as of the transition date, unless otherwise noted.

Basis of Consolidation

(1) Subsidiaries and structured entities

Subsidiaries are entities that are controlled by the Company. The Company controls an entity when the Company has power over the entity, is exposed or has rights to variable returns from its involvement with the entity, and has the ability to affect those returns through its power over the entity. To determine whether or not the Company controls an entity, the Company considers all relevant factors indicating that it may have power over the entity, such as the status of voting rights or similar rights, contractual agreements, whether the directors and/or employees dispatched from the Company account for a majority of the board of directors of the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date when the Company obtains control over the subsidiary until the date when it loses control of the subsidiary. Necessary adjustments are made to the financial statements of subsidiaries if their accounting policies differ from those of the Company. Balances of receivables and payables, and unrealized profit or loss arising from intercompany transactions are eliminated in the preparation of the consolidated financial statements. Any change in ownership interests in a subsidiary that does not result in a loss of control of the subsidiary is accounted for as an equity transaction. When control over a subsidiary is lost, the investment retained after the loss of control is remeasured at fair value as of the date of the loss of control, and any gains or losses arising from such remeasurement are recognized in profit or loss.

Structured entities are entities designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. For fundraising purposes, the Company enters into securitization transactions by transferring a pool of certain finance receivables into newly formed structured entities. After the transfers, the Company has both the power to direct the activities that most significantly affect those structured entities' economic performance through its role in managing and controlling its past due or default receivables and the obligation to absorb losses or receive benefits that could potentially be significant to them through the Company's retention of the residual interest in them. Accordingly, the Company consolidates such structured entities.

(2) Associates and joint ventures

Associates are entities over which the Company has a significant influence over the decisions on financial and operating policy decisions, but does not have control or joint control of those policies. If the Company holds, directly or indirectly, 20% or more and less than 50% of the voting rights of the entity, it is presumed that the Company has significant influence over the entity unless it can be clearly demonstrated that this is not the case.

Joint ventures are joint arrangements whereby the parties, including the Company, that have joint control of the arrangements have rights to the net assets of the arrangements. Joint arrangements are arrangements in which two or more parties have joint control, and joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Investments in associates and joint ventures are accounted for using the equity method from the date when the investees are determined as associates or joint ventures until the date that they cease to be classified as associates or joint ventures. When an entity no longer meets the criteria for an associate or joint venture and the application of the equity method is discontinued, the investment retained after the discontinuation of the equity method is remeasured at fair value, and any gains or losses arising from such remeasurement are recognized in profit or loss, unless the entity meets the criteria for a subsidiary.

If there is any objective evidence of impairment on investments in associates or joint ventures, the Company conducts impairment tests on those investments as one asset group.

Foreign Currency Translation

(1) Foreign currency transactions

Foreign currency transactions are translated into the functional currency of each company using the exchange rate at the date of the transactions or a rate that approximates such rate.

At the end of each reporting period, monetary items denominated in foreign currencies are translated into the functional currency using the closing rate, and nonmonetary items denominated in foreign currencies measured at fair value are translated into the functional currency using the exchange rate at the date when the fair value is measured. Exchange differences arising from the translation or settlement are recognized in profit or loss.

(2) Translation of foreign operations

Assets and liabilities of foreign operations are translated at the closing rate, while their income and expenses are translated at the average rate during the period. Exchange differences arising from translation are recognized in other comprehensive income.

When control or significant influence of foreign operations is lost due to the disposal of those operations, cumulative translation differences arising from those operations are reclassified to profit or loss at the time of disposal as part of gain or loss on the disposal of foreign operations.

Financial Instruments

With regard to accounting for financial instruments, the Company adopted IFRS 9, *Financial instruments* (2014) ("IFRS 9"). In accordance with exemptions from the retrospective application of IFRS 7, *Financial Instruments: Disclosures* ("IFRS 7"), and IFRS 9 as specified in IFRS 1, the Company applied the previous accounting standards, accounting principles generally accepted in the United States of America ("U.S. GAAP"), to the comparative information.

Accounting policies applied to the comparative information are described below.

The Company classifies all of its marketable debt securities and marketable equity securities as available-for-sale securities and measures them at fair value. Unrealized gains or losses on those securities are recognized as other components of equity, net of tax effects. The fair values of those securities are determined based on quoted market prices. When a decline in value of a marketable security is deemed to be other than temporary, the Company recognizes an impairment loss on such securities to the extent of the decline. In determining whether such a decline in value is other than temporary, the Company evaluates the extent to which cost exceeds market value, the duration of the market decline, and other key measures. Nonmarketable securities are stated at cost and reviewed periodically for impairment. Gains and losses on sales of available-for-sale securities, as well as nonmarketable securities that are carried at cost, are computed by the average-cost method.

The Company provides an allowance for doubtful accounts. The allowance for doubtful accounts is determined based on the collection status of receivables, historical credit loss experience, economic trends, the debtor's ability to repay, and collateral values. Historical collection trends, as well as current and future economic conditions, are periodically reviewed by management, and the allowance for doubtful accounts is adjusted accordingly, if necessary.

In order to hedge foreign currency risk and interest rate risk, the Company uses derivative financial instruments, such as foreign exchange forward contracts and interest rate swaps contracts. These derivatives are measured at fair value and presented on a gross basis in the consolidated statement of financial position. Since these derivatives do not meet the requirements for hedge accounting, they are categorized as derivatives that are not designated in hedge accounting relationships, and changes in fair value of these derivatives are recognized in profit or loss immediately.

These financial assets are derecognized when they are settled or transferred and the Company's control is expired or abandoned. Financial liabilities are derecognized when they are extinguished.

Accounting policies applied for the year ended on December 31, 2018, are as follows.

(1) Financial assets (excluding derivatives)

Initial recognition

The Company initially recognizes trade receivables and other receivables on the date such receivables arise and recognizes other financial assets as of the transaction date, on which the Company becomes a party to the agreement, at the fair value plus transaction costs that are directly attributable to the acquisition. However, trade receivables that do not include significant financial components are measured at the transaction price.

Classification and subsequent measurement

Financial assets are classified as financial assets measured at amortized cost, debt financial assets measured at fair value through other comprehensive income, or equity financial assets measured at fair value through other comprehensive income.

Financial assets measured at amortized cost

Financial assets are subsequently measured at amortized cost using the effective interest method if both of the following conditions are met. Specifically, the amount measured at initial recognition is reduced by repayment of principal by adjusting for the accumulated amortized amount, which is calculated by the effective interest method on the differences between initially recognized amount and maturity amount. This amount is also adjusted by an allowance for doubtful accounts for related financial assets.

(a) The financial assets are held within a business model with the objective of collecting contractual cash flows, and
(b) The contractual terms of the financial assets provide cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

Debt financial assets measured at fair value through other comprehensive income

Financial assets are classified as debt financial assets measured at fair value through other comprehensive income if both of the following conditions are met:

(a) The financial assets are held within a business model with the objective of both collecting contractual cash flows and selling financial assets, and
(b) The contractual terms of the financial assets provide cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

Equity financial assets measured at fair value through other comprehensive income

With regard to equity financial assets, the Company has elected to recognize changes in fair value in other comprehensive income.

The accumulated amounts of net changes in the fair value of the equity financial assets are transferred to retained earnings, not to profit or loss, when the equity financial assets are derecognized or the decline in the fair value from the acquisition cost is significant.

Dividends on equity financial assets measured at fair value through other comprehensive income are recognized in profit or loss as finance income unless the dividend clearly represents a recovery of part of the cost of the investment.

Derecognition

Financial assets are derecognized when contractual rights to cash flows from the financial assets expire or when contractual rights to receive the cash flows are transferred, and substantially all risks and rewards of ownership of the financial assets are transferred.

Impairment of financial assets measured at amortized cost

The Company evaluates and recognizes an allowance for doubtful accounts for expected credit losses on financial assets measured at amortized cost at the end of each reporting period, reflecting the collection status of these financial assets, historical credit loss experience, economic trends, customers' ability to repay, collateral values, and other factors. If the credit risk on financial assets is deemed to be low at the end of the reporting period, the credit risk is deemed not to have significantly increased since the initial recognition, and an allowance for doubtful accounts is recognized for the 12-month expected credit losses. The Company considers that the credit risk on them has increased significantly since initial recognition, unless there is reasonable and rebuttal evidence, when contractual payments are more than 30 days past due and recognizes an allowance for doubtful accounts for the lifetime expected credit losses. In regards to trade receivables, contract assets, long-term trade accounts receivable, and lease receivables, an allowance for doubtful accounts is always recognized for the lifetime expected credit losses. The provision of an allowance for doubtful accounts or reversal of the previously recognized allowance is recognized in profit or loss and included in selling, general, and administrative expenses. The Company directly writes off the gross carrying amount of receivables when the Company has no reasonable expectation of recovering the contractual cash flows from them. The Company defines a default on financial assets as a loss of the debtor's ability to repay.

(2) Financial liabilities (excluding derivatives)
<u>Initial recognition</u>
The Company initially recognizes financial liabilities as of the transaction date, on which the Company becomes a party to the agreement, at fair value less transaction costs that are directly attributable to the transaction.

<u>Classification and subsequent measurement</u>
Financial liabilities are classified as financial liabilities measured at amortized cost. They are subsequently measured at amortized cost using the effective interest method. Amortization using the effective interest method and gains or losses arising from derecognition are recognized in profit or loss.

<u>Derecognition</u>
Financial liabilities are derecognized when they are extinguished due to satisfaction of contractual obligations related to the financial liabilities.

(3) Derivatives and hedge accounting
In order to hedge foreign currency risk and interest rate risk, the Company uses derivative financial instruments, such as foreign exchange forward contracts and interest rate swap contracts. Since these derivatives do not meet the requirements for hedge accounting, hedge accounting is not applied. The Company initially recognizes these derivatives at fair value at the date the contracts are entered into and subsequently remeasures them at fair value. Changes in fair value of these derivatives are all recognized in profit or loss.

(4) Fair value measurements
Fair value measurements 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. These are measured using the entity's own assumptions and inputs that are reasonably available or inputs many market participants use with reasonable confidence

Cash and Cash Equivalents
Cash and cash equivalents consist of cash on hand, demand deposits withdrawable at any time, and short-term investments with a maturity of three months or less from the acquisition date that are readily convertible to cash and are subject to insignificant risk of changes in value.

Inventories
Inventories are stated at the lower of cost or net realizable value. Costs include purchase costs, direct labor costs, other direct costs, related production overheads based on the normal capacity of the production facilities, and all expenses

required to bring the inventories to the present location and condition, principally determined by the moving average method. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and those necessary to sell the inventories.

Property, Plant, and Equipment
Property, plant, and equipment are measured based on the cost model and are stated at cost less accumulated depreciation and accumulated impairment losses. Costs include the costs directly attributable to the acquisition of assets; costs of dismantling, removing, and restoration of assets; and borrowing costs that meet certain criteria for capitalization.

Property, plant, and equipment, except land and construction in progress, are principally depreciated using the straight-line method based on the estimated useful lives of the assets. The estimated useful lives range from ten to 50 years for buildings and structures, and from two to 14 years for machinery and other equipment. Estimated useful lives, the depreciation method, and residual value of the assets are reviewed at least at each fiscal year end. Any changes in the useful life, depreciation method, and residual value are accounted for prospectively as a change in estimates.

Intangible Assets
Intangible assets are measured based on the cost model and are stated at cost less accumulated amortization and accumulated impairment losses. Intangible assets with indefinite useful lives are stated at cost less accumulated impairment losses.

Expenditures on development activities are recognized as intangible assets only if they meet all of the following requirements:

(a) technical feasibility of completing the intangible asset so that it will be available for use or sale;
(b) the Company’s intention to complete the intangible asset and use or sell it;
(c) the Company’s ability to use or sell the intangible asset;
(d) how the intangible asset will generate probable future economic benefits;
(e) the availability of adequate technical, financial, and other resources to complete development and to use or sell the intangible asset; and
(f) the Company’s ability to measure reliably the expenditures attributable to the intangible asset during its development.

Expenditures on development activities that do not meet the above conditions are expensed as incurred.

Intangible assets with definite useful lives are amortized by the straight-line method over the estimated useful lives of the assets. The estimated useful lives are mainly five years for software for internal use and capitalized development costs. Estimated useful lives and the amortization method are reviewed at least at each fiscal year end. Any changes in the useful life and amortization method are accounted for prospectively as a change in estimates.

Leases
Leases are classified as finance leases when substantially all the risks and rewards incidental to ownership of an underlying asset are transferred to a lessee. All other leases are classified as operating leases.

(1) As a lessee
In finance lease transactions, leased assets and lease liabilities are stated in the consolidated statement of financial position and initially recognized at the lower of the fair value of the leased property or the present value of the total minimum lease payments, each determined at the commencement date of the lease. After the initial recognition, leased assets are depreciated by the straight-line method over the shorter of the estimated useful lives of the assets or the lease term. The total minimum lease payments are allocated to the finance cost, and the repayment of the lease liabilities and the finance cost is recognized in profit or loss over the lease term so as to reflect a constant rate of interest on the remaining balance of the liabilities.

Lease payments of operating leases are recognized in profit or loss on a straight-line basis over the lease term.

(2) As a lessor
Lease receivables arising from finance lease transactions are recognized at the net investments in the leases. Lease

income from finance leases is recognized in profit or loss over the lease term so as to reflect a constant periodic rate of interest on the remaining balance of the net investments in the leases.

Impairment of Nonfinancial Assets

The carrying amounts of nonfinancial assets other than inventories and deferred tax assets are assessed to determine whether or not there is any indication of impairment at the end of each reporting period based on an individual asset or the cash-generating unit ("CGU") to which the asset belongs. If such an indication exists, a recoverable amount of the asset or CGU is estimated.

Goodwill, intangible assets with indefinite useful lives, and intangible assets that are not yet available for use are tested for impairment annually or whenever there is an indication that the asset may be impaired or circumstances change.

The recoverable amount of an individual asset or a CGU is the higher of the fair value less costs of disposal and value in use. Value in use is determined by discounting the estimated future cash flows expected to be derived from an individual asset or a CGU to the present value, using a pretax discount rate that reflects the time value of money and risks specific to an individual asset or a CGU.

A CGU is determined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the CGU to which the asset belongs is determined.

Since corporate assets do not generate separate cash inflows, if there are any indications that corporate assets may be impaired, they are tested for impairment based on the recoverable amount of the CGU to which the corporate assets belong.

If the recoverable amount of the asset or CGU is less than its carrying amount, the carrying amount is reduced to the recoverable amount, and the difference between the recoverable amount and the carrying amount is recognized as an impairment loss in profit or loss. An impairment loss for a CGU is allocated to the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

Individual assets other than goodwill or CGUs for which impairment losses were recognized in prior periods are assessed to determine whether or not there is any indication that such impairment losses may no longer exist or may have decreased at the end of each reporting period. If such an indication exists, the recoverable amount of the asset or the CGU is estimated, and if the recoverable amount exceeds the carrying amount of the asset or CGU, the impairment loss is reversed. The amount of reversal is recognized in profit or loss to the extent of the carrying amount, net of amortization or depreciation, that would have been determined if no impairment loss had been recognized in prior periods.

Provisions

Provisions are recognized when the Company has present legal or constructive obligations as a result of past events, it is probable that outflows of resources embodying economic benefits will be required to settle the obligations, and reliable estimates can be made of the amount of obligations.

Provisions are measured based on the best estimate of expenditure required to settle the present obligation at the end of the reporting period. When the effect of the time value of money is material, a provision is measured at the present value of the expenditures required to settle the obligation.

Postemployment Benefits

The Company has defined benefit pension plans and defined contribution pension plans as postemployment benefits for employees.

(1) Defined benefit pension plans

The Parent Company and most subsidiaries mainly located in Japan have defined benefit corporate pension plans and/or lump-sum severance indemnity plans. The net defined benefit liability and asset in the consolidated statement of financial position is measured as the difference between the present value of the defined benefit obligation and the fair value of plan assets.

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.

Defined benefit obligation is determined using the projected unit credit method, and its present value is calculated by discounting future estimated benefits. The discount rate is determined based on market yields on high-quality corporate bonds as of the end of the reporting period, reflecting the estimated timing and amount of benefit payment.

Prior service costs resulting from plan amendments are recognized in profit or loss when the plan is amended.

Remeasurement of the net defined liability and asset is recognized in other comprehensive income when such remeasurement is made and transferred immediately to retained earnings.

(2) Defined contribution pension plans

The Parent Company and certain subsidiaries have defined contribution plans. Contributions to defined contribution plans for the period when employees render the related services are recognized as employee benefit expenses in profit or loss.

Revenue Recognition

(1) Revenue from contracts with customers

The Company recognizes revenue, excluding interest recognized in accordance with IFRS 9 and lease income recognized in accordance with International Accounting Standards 17, *Leases* (“IAS 17”), from contracts with customers based on the following five steps:

Step 1: identify the contract(s) with a customer
Step 2: identify the performance obligations in the contract
Step 3: determine the transaction price
Step 4: allocate the transaction price to the performance obligations in the contract
Step 5: recognize revenue when (or as) the entity satisfies a performance obligation

The Company engages in various fields of businesses and industries by providing products and services as described in Note 1. REPORTING ENTITY.

The Company determined that control over the products is transferred to customers, and the Company satisfies a performance obligation when the products are delivered to the customers, considering indicators of the transfer of control, such as the transfer of significant risks and rewards of physical possession and ownership of products. Accordingly, revenue from sales of products is recognized at that time.

The Company has construction contracts with customers. The Company considers that its satisfaction of performance obligations under the contracts does not create an asset with an alternative use to the Company, the Company has an enforceable right to payment for performance completed to date, and it transfers the control over the assets to customers over time. Accordingly, revenue is recognized over the construction period based on its progress towards complete satisfaction of performance obligations measured at the end of the reporting period. Since the Company considers that it is possible to develop reasonable estimates of the total contract cost and to reasonably estimate the extent of progress towards complete satisfaction of performance obligations under the contracts, the Company uses the input method to measure the extent of progress towards completion based on the costs incurred relative to the total expected costs by contract.

Revenue is measured at the consideration promised in contracts with customers, less discounts, rebates depending on sales volume, and other items. Variable considerations, including discounts, rebates, and other payments, are estimated considering all the information (historical, current, and forecast) that is reasonably available to the Company, and revenue is recognized only to the extent that it is highly probable that significant reversal of recognized revenue will not occur. As a practical expedient under IFRS 15, *Revenue from Contracts with Customers* (“IFRS 15”), the Company does not adjust the promised amount of consideration for the effects of a significant financing component if the Company expects, at contract inception, that the period between when the Company transfers promised goods or services to customers and when the customers pay for the goods or services will be one year or less.

When two or more performance obligations are identified in the contract, the transaction price is primarily allocated to each of the performance obligations on a relative observable stand-alone selling price basis.

(2) Income from retail finance and finance leases
The Company provides retail finance and finance leases to end users who purchase the Company's products, such as farm equipment, etc., through dealers. The above income is included in revenue in the consolidated statement of profit or loss.

With regard to income from retail finance, interest income is recognized using the effective interest method over the contractual period in accordance with IFRS 9. Income from finance leases is recognized using the method described in *Leases* in this section.

Income Taxes

Income taxes, which is comprised of current taxes and deferred taxes, are recognized in profit or loss, except to the extent that they relate to business combinations or items recognized in other comprehensive income or directly in equity.

Current taxes are measured at the expected amount of income taxes payable to or recoverable from the tax authorities, using the tax rates and tax laws and regulations that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxes are recognized based on temporary differences between the carrying amount of assets or liabilities in the consolidated statement of financial position and the tax bases of the assets or liabilities, and carryforwards of unused tax losses and tax credits.

Deferred tax assets are recognized only to the extent that it is probable that taxable profits will be available against the deductible temporary differences, unused tax losses, and unused tax credits. Deferred tax liabilities are recognized essentially for all taxable temporary differences.

However, deferred tax liabilities for taxable temporary differences related to investments in subsidiaries, associates, and joint ventures are not recognized if the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future. Deferred tax assets for deductible temporary differences related to investments in subsidiaries, associates, and joint ventures are recognized to the extent that it is probable that taxable profits will be available against which the temporary differences can be utilized, and the differences will reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the assets are realized or the liabilities are settled, based on the tax rates and tax laws and regulations that have been enacted or substantively enacted by the end of the reporting period.

The Company reviews the carrying amount of deferred tax assets at the end of the reporting period and does not recognize the deferred tax assets to the extent that it is no longer probable that taxable profits will be sufficient to allow the benefit of part or all of those deferred tax assets to be realized.

Deferred tax assets and liabilities are offset only if the Company has a legally enforceable right to offset current tax assets against current liabilities and when the same tax authority levies income taxes on the same taxable entity.

Earnings per Share

Basic earnings per share attributable to owners of the parent are calculated based on profit attributable to common shareholders of the parent by the weighted-average number of issued common shares during the period. Diluted earnings per share attributable to owners of the parent are calculated by adjusting the effects of all dilutive potential common shares.

Changes in Accounting Policies

The Company adopted IFRS 9 on January 1, 2018. In accordance with exemptions from the retrospective application of IFRS 7 and IFRS 9 specified in IFRS 1, the Company applied U.S. GAAP, the previous accounting standards, to the comparative information. Significant accounting policies applied for the year ended December 31, 2018, and the comparative information are stated in Note 3. SIGNIFICANT ACCOUNTING POLICIES, Financial Instruments. The major impacts arising from the adoption of IFRS 9 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 nonmarketable equity securities were stated at cost and reviewed periodically for impairment.

Whereas under IFRS, the Company classifies all equity securities as financial assets measured at fair value through other comprehensive income.

As of January 1, 2018, the adoption of IFRS 9 increased other financial assets, deferred tax liabilities, other components of equity, and noncontrolling 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 based on the collection status of receivables, historical credit loss experience, economic trends, the debtor's ability to repay, and collateral values.

Under IFRS, the Company evaluates and recognizes an allowance for doubtful accounts for expected credit losses on financial assets measured at amortized cost at the end of each reporting period. An allowance for doubtful accounts 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 adoption of IFRS 9 increased finance receivables, retained earnings, and noncontrolling interests by ¥2,979 million, ¥1,377 million, and ¥1,008 million, respectively, and decreased deferred tax assets by ¥594 million.

There were no material effects on profit for the year, basic earnings per share attributable to owners of the parent, and diluted earnings per share attributable to owners of the parent for the year ended December 31, 2018.

Accounting Standards and Interpretation Newly Issued or Amended but Not Yet Adopted

The following table presents major accounting standards and interpretations that were newly issued or amended prior to the date of approval of the consolidated financial statements but were not yet adopted by the Company as of December 31, 2018 as the standards and interpretations were not yet effective:

Standards and interpretations	Title	Effective date (from the fiscal year beginning on or after)	Scheduled adoption by the Company	Description of new or amended standards and interpretations
IFRS 16	Leases	January 1, 2019	Year ending December 31, 2019	Amendments to accounting treatment and broader disclosure requirements
IFRS 17	Insurance Contracts	January 1, 2021	Year ending December 31, 2021	Establishment of consistent accounting treatment for insurance contracts
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019	Year ending December 31, 2019	Clarification of accounting treatment for uncertainties in income taxes

Under IFRS 16, the Company will recognize assets and liabilities related to lease contracts which have been previously accounted for as operating leases as a lessee in accordance with IAS 17 with certain exceptions. The Company plans to apply IFRS 16 retrospectively with the cumulative effect of applying IFRS 16 recognized on the date of initial application. The adoption of IFRS 16 is expected to increase noncurrent assets, current liabilities, and noncurrent liabilities by ¥36,000 million, ¥13,700 million, and ¥22,300 million, respectively, as of January 1, 2019.

The Company is currently evaluating the impact of IFRS 17 on the consolidated financial statements and therefore is not able to estimate the impact.

The adoption of IFRIC 23 is not expected to have a material impact on the consolidated financial statements.

4. SEGMENT INFORMATION

The Company engages in various fields of business and industries by providing products and services that 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.

Financial information of the segments is 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 consolidated financial statements.

Information by reportable segment is summarized as follows:

(Unit: millions of yen)

	Farm & Industrial Machinery	Water & Environment	Other	Adjustments	Consolidated
Year ended December 31, 2018:					
Revenue:					
External customers	¥ 1,527,629	¥ 292,281	¥ 30,406	¥ —	¥ 1,850,316
Intersegment	299	1,295	27,990	(29,584)	—
Total	¥ 1,527,928	¥ 293,576	¥ 58,396	¥ (29,584)	¥ 1,850,316
Operating profit	¥ 200,895	¥ 19,875	¥ 3,011	¥ (34,467)	¥ 189,314
Depreciation and amortization	38,858	6,689	511	3,566	49,624
Addition to noncurrent assets	55,129	8,105	1,095	4,332	68,661
December 31, 2018:					
Assets	¥ 2,348,943	¥ 242,744	¥ 140,959	¥ 163,009	¥ 2,895,655
Investments accounted for using the equity method	10,249	37	20,325	—	30,611
Year ended December 31, 2017:					
Revenue:					
External customers	¥ 1,436,501	¥ 285,675	¥ 28,862	¥ —	¥ 1,751,038
Intersegment	334	2,021	26,642	(28,997)	—
Total	¥ 1,436,835	¥ 287,696	¥ 55,504	¥ (28,997)	¥ 1,751,038
Operating profit	¥ 200,749	¥ 24,415	¥ 3,008	¥ (28,220)	¥ 199,952
Depreciation and amortization	34,693	6,608	620	3,215	45,136
Addition to noncurrent assets	54,553	5,178	557	3,270	63,558
December 31, 2017:					
Assets	¥ 2,234,845	¥ 243,240	¥ 139,639	¥ 214,640	¥ 2,832,364
Investments accounted for using the equity method	9,617	58	19,658	—	29,333
January 1, 2017 (Transition date):					
Assets	¥ 2,088,054	¥ 246,753	¥ 140,952	¥ 158,021	¥ 2,633,780
Investments accounted for using the equity method	10,728	53	17,724	—	28,505

(Notes)

1. *Adjustments* include items such as the elimination of intersegment transfers, corporate expenses, and corporate assets, which are not allocated to any particular reportable segment. The corporate expenses included in *Adjustments* amounted to ¥34,467 million and ¥28,222 million for the years ended December 31, 2018 and 2017, respectively. The corporate expenses included in *Adjustments* consist mainly of administration department expenses, basic research expenses, and foreign exchange gains or losses incurred by the Parent Company. The corporate assets included in *Adjustments* amounted to ¥262,319 million, ¥312,319 million, and ¥259,504 million at December 31, 2018 and 2017, and January 1, 2017, respectively, which consists mainly of cash and cash equivalents, securities, and corporate properties held or used by the administration department of the Parent Company.
2. The aggregated amounts of operating profit are equal to those presented in the consolidated statement of profit or loss. Please refer to the 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.
4. Noncurrent assets do not include financial instruments, deferred tax assets, and net defined benefit assets.

Revenue from External Customers by Product Group

Information about revenue from external customers by product group is summarized as follows:

(Unit: millions of yen)

Years ended December 31:	2018	2017
Farm & Industrial Machinery:		
Farm equipment and engines	¥ 1,237,907	¥ 1,178,919
Construction machinery	289,722	257,582
Subtotal	1,527,629	1,436,501
Water & Environment:		
Pipe-related products	157,761	163,665
Environment-related products	85,517	78,400
Social infrastructure-related products	49,003	43,610
Subtotal	292,281	285,675
Other	30,406	28,862
Total	¥ 1,850,316	¥ 1,751,038

Geographic Information

Information about revenue from external customers by location is summarized as follows:

(Unit: millions of yen)

Years ended December 31:	2018	2017
Japan	¥ 577,340	¥ 563,793
North America	612,575	546,019
Europe	256,347	226,663
Asia outside Japan	334,907	342,908
Other areas	69,147	71,655
Total	¥ 1,850,316	¥ 1,751,038

(Notes)

1. Revenue from North America included that from the United States of ¥544,670 million and ¥482,370 million for the years ended December 31, 2018 and 2017, respectively.
2. There was no single customer whose revenue exceeded 10% or more of total consolidated revenue of the Company.

Information about noncurrent assets based on physical location is summarized as follows:

(Unit: millions of yen)

	December 31, 2018	December 31, 2017	January 1, 2017 (Transition date)
Japan	¥ 227,877	¥ 209,758	¥ 195,349
North America	75,076	74,181	78,127
Europe	36,876	39,381	31,010
Asia outside Japan	56,549	61,051	55,184
Other areas	4,036	4,618	3,902
Total	¥ 400,414	¥ 388,989	¥ 363,572

(Notes)

1. Noncurrent assets do not include financial instruments, deferred tax assets, and net defined benefit assets.
2. Noncurrent assets of North America included those in the United States of ¥71,631 million, ¥70,351 million, and ¥74,354 million at December 31, 2018 and 2017, and January 1, 2017, respectively.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are composed of the following:

(Unit: millions of yen)

	December 31, 2018	December 31, 2017	January 1, 2017 (Transition date)
Cash and deposits	¥ 168,728	¥ 172,369	¥ 150,184
Short-term investments	60,395	58,351	19,232
Total	¥ 229,123	¥ 230,720	¥ 169,416

(Note)

The balance on the consolidated statement of financial position is equal to the balance on the consolidated statement of cash flows.

6. TRADE RECEIVABLES

Trade receivables are composed of the following:

(Unit: millions of yen)

	December 31, 2018	December 31, 2017	January 1, 2017 (Transition date)
Trade notes	¥ 79,093	¥ 77,618	¥ 75,798
Trade accounts receivable	583,758	564,257	550,084
Allowance for doubtful accounts	(2,450)	(2,792)	(2,472)
Total	¥ 660,401	¥ 639,083	¥ 623,410

7. FINANCE RECEIVABLES

Finance receivables are composed of the following:

In accordance with exemptions from the retrospective application of IFRS 9 specified in IFRS 1, the Company applied U.S. GAAP to the information as of December 31, and January 1, 2017.

(Unit: millions of yen)

	December 31, 2018	December 31, 2017	January 1, 2017 (Transition date)
Retail finance receivables	¥ 668,767	¥ 629,467	¥ 560,089
Finance lease receivables	241,430	205,674	184,826
Allowance for doubtful accounts	(21,049)	(24,978)	(22,546)
Total	¥ 889,148	¥ 810,163	¥ 722,369
Current assets	267,262	250,684	230,925
Noncurrent assets	621,886	559,479	491,444

8. OTHER FINANCIAL ASSETS

December 31, 2018

Other financial assets are composed of the following:

(Unit: millions of yen)

		December 31, 2018
Financial assets measured at amortized cost:		
Long-term trade accounts receivable	¥	37,046
Time deposits		6,654
Restricted cash*		13,425
Others		19,976
Financial assets measured at fair value through other comprehensive income:		
Debt financial assets		15,723
Equity financial assets		111,509
Financial assets measured at fair value through profit or loss:		
Derivatives		1,238
Total	¥	205,571
Current assets		54,373
Noncurrent assets		151,198

(Note)

* Deposits pledged as collateral that are restricted from withdrawal and advances received for public works that are restricted from usage

The Company holds equity financial assets mainly for the purpose of maintaining and enhancing business relationships and has elected to classify them as equity financial assets measured at fair value through other comprehensive income. The fair value of equity financial assets by issue is as follows:

(Unit: millions of yen)

Issue		December 31, 2018
Cummins Inc.	¥	31,151
Sumitomo Mitsui Financial Group, Inc.		11,237
Sumitomo Mitsui Trust Holdings, Inc.		11,076
Toho Gas Co., Ltd.		6,672
Osaka Gas Co., Ltd.		6,280
Mitsubishi UFJ Financial Group, Inc.		5,740
Daikin Industries, Ltd.		4,100
Shin-Etsu Chemical Co., Ltd.		3,966
Mizuho Financial Group, Inc.		2,840
MS & AD Insurance Group Holdings, Inc.		2,669
Others		25,778

The Company sold and derecognized certain equity financial assets measured at fair value through other comprehensive income due to reviews on the business relationship. Fair value as of derecognition and accumulated gains or losses, before income taxes, which were reclassified from other components of equity to retained earnings, were as follows:

(Unit: millions of yen)

Year ended December 31:		2018
Fair value as of derecognition	¥	7,502
Accumulated gains (losses)		4,952

December 31, 2017, and January 1, 2017 (Transition date)

In accordance with exemptions from the retrospective application of IFRS 9 specified in IFRS 1, the Company applied U.S. GAAP to the information as of December 31 and January 1, 2017.

(1) Other financial assets

Other financial assets are composed of the following:

(Unit: millions of yen)

	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
Noncurrent assets	188,738	184,854

(Note)

* Deposits pledged as collateral that are restricted from withdrawal and advances received for public works that are restricted from usage

(2) Securities

Investments are composed of available-for-sale securities and nonmarketable equity securities.

The following table presents the cost and fair value of, and gross unrealized holding gains and losses on, the Company's marketable equity securities which are include in available-for-sale securities by type:

(Unit: millions of yen)

	December 31, 2017				January 1, 2017 (Transition date)			
	Cost	Fair value	Gross unrealized holding gains	Gross unrealized holding losses	Cost	Fair value	Gross unrealized holding gains	Gross unrealized holding losses
Available-for-sale securities:								
Equity securities of financial institutions	¥ 17,557	¥ 46,328	¥ 28,771	¥ —	¥ 20,017	¥ 48,435	¥ 28,418	¥ —
Other equity securities	13,913	95,937	82,024	—	14,833	88,582	73,749	—
Total	¥ 31,470	¥ 142,265	¥110,795	¥ —	¥ 34,850	¥ 137,017	¥102,167	¥ —

For the year ended December 31, 2017, there were no valuation losses on marketable equity securities recognized to reflect the decline in fair value considered to be other than temporary. Proceeds from sales of marketable equity securities and the gross realized gains on these sales were ¥11,788 million and ¥8,403 million for the year ended December 31, 2017.

Investments included nonmarketable equity securities of ¥3,418 million and ¥3,650 million at December 31, 2017, and January 1, 2017, respectively, and debt securities of ¥7,718 million (acquisition cost: ¥7,710 million), of which the original maturities are within one year at December 31, 2017.

Nonmarketable equity securities for which there is no readily determinable fair value are accounted for using the average cost method. Impairment was not recognized on such nonmarketable equity securities because the Company found it practically impossible to determine the fair value of those investments and did not identify any events or changes in circumstances that may have had a significant adverse effect on the fair value of those investments for the year ended December 31, 2017.

9. INVENTORIES

Inventories are composed of the following:

(Unit: millions of yen)

	December 31, 2018	December 31, 2017	January 1, 2017 (Transition date)
Finished products	¥ 210,490	¥ 212,661	¥ 220,510
Spare parts	58,247	57,132	44,885
Work in process	52,161	43,624	43,078
Raw materials and supplies	49,800	45,437	44,125
Total	¥ 370,698	¥ 358,854	¥ 352,598

Inventories recognized as an expense for the years ended December 31, 2018 and 2017, were ¥1,188,029 million and ¥1,127,235 million, respectively. The writedowns of inventories recognized as an expense for the years ended December 31, 2018 and 2017, were ¥557 million and ¥1,617 million, respectively.

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in and Loans Receivable from Associates and Transactions with Associates

The following table presents outstanding balances related to transactions with associates and investments in and loans receivable from associates:

(Unit: millions of yen)

	December 31, 2018	December 31, 2017	January 1, 2017 (Transition date)
Trade receivables	¥ 20,999	¥ 20,534	¥ 22,153
Loans receivable	1,496	1,795	6,105
Investments	10,261	9,651	10,758
Deposits received	3,139	863	1,283

Revenue from associates aggregated ¥51,507 million and ¥54,862 million for the years ended December 31, 2018 and 2017, respectively.

There are no associates that are individually material to the Company.

The Company’s share of profit of associates that are not individually material was ¥680 million and ¥546 million for the years ended December 31, 2018 and 2017, respectively.

Investments in and Loans Receivable from Joint Ventures and Transactions with Joint Ventures

The following table presents outstanding balances related to transactions with joint ventures and investments in and loans receivable from joint ventures:

(Unit: millions of yen)

	December 31, 2018	December 31, 2017	January 1, 2017 (Transition date)
Trade receivables	¥ 541	¥ 547	¥ 485
Loans receivable	—	—	—
Investments	20,350	19,682	17,747
Deposits received	5,540	—	—

Revenue from joint ventures aggregated ¥5,736 million and ¥5,582 million for the years ended December 31, 2018 and 2017, respectively.

There are no joint ventures that are individually material to the Company. The Company’s share of profit related to joint ventures that are not individually material was ¥1,354 million and ¥1,923 million for the years ended December 31, 2018 and 2017, respectively.

11. PROPERTY, PLANT, AND EQUIPMENT

The following table presents reconciliation of acquisition cost, accumulated depreciation and accumulated impairment losses, and balances of carrying amount of the Company's property, plant, and equipment:

Acquisition Costs

(Unit: millions of yen)

	Land	Buildings and structures	Machinery and equipment	Construction in progress	Total
January 1, 2017	¥ 72,495	¥ 281,206	¥ 485,072	¥ 17,378	¥ 856,151
Acquisition	3,907	3,897	9,298	35,346	52,448
Sales or disposal	(1,187)	(2,197)	(18,271)	(115)	(21,770)
Exchange rate differences on foreign currencies	687	2,246	4,164	(168)	6,929
Transfers between accounts	206	13,201	28,141	(41,548)	—
Acquisition through business combination	3,049	2,684	39	—	5,772
Others	765	608	(1,810)	(1,664)	(2,101)
December 31, 2017	¥ 79,922	¥ 301,645	¥ 506,633	¥ 9,229	¥ 897,429
Acquisition	175	2,493	9,152	45,461	57,281
Sales or disposal	(1,065)	(959)	(9,788)	(35)	(11,847)
Exchange rate differences on foreign currencies	(1,084)	(3,116)	(5,896)	(110)	(10,206)
Transfers between accounts	1,634	12,450	21,476	(35,560)	—
Others	526	126	620	(607)	665
December 31, 2018	¥ 80,108	¥ 312,639	¥ 522,197	¥ 18,378	¥ 933,322

Accumulated Depreciation and Accumulated Impairment Losses

(Unit: millions of yen)

	Land	Buildings and structures	Machinery and equipment	Construction in progress	Total
January 1, 2017	¥ 959	¥ 171,698	¥ 381,628	¥ —	¥ 554,285
Depreciation	—	9,628	27,649	—	37,277
Impairment losses	—	51	5	—	56
Sales or disposal	(168)	(1,737)	(16,287)	—	(18,192)
Exchange rate differences on foreign currencies	14	997	2,568	—	3,579
Others	—	(135)	(1,182)	—	(1,317)
December 31, 2017	¥ 805	¥ 180,502	¥ 394,381	¥ —	¥ 575,688
Depreciation	—	10,126	30,812	—	40,938
Impairment losses	—	16	90	—	106
Sales or disposal	—	(820)	(8,788)	—	(9,608)
Exchange rate differences on foreign currencies	(10)	(1,310)	(3,655)	—	(4,975)
Others	—	(85)	1,224	—	1,139
December 31, 2018	¥ 795	¥ 188,429	¥ 414,064	¥ —	¥ 603,288

Balances of Carrying Amount

(Unit: millions of yen)

	Land	Buildings and Structures	Machinery and equipment	Construction in progress	Total
January 1, 2017 (Transition date)	¥ 71,536	¥ 109,508	¥ 103,444	¥ 17,378	¥ 301,866
December 31, 2017	¥ 79,117	¥ 121,143	¥ 112,252	¥ 9,229	¥ 321,741
December 31, 2018	¥ 79,313	¥ 124,210	¥ 108,133	¥ 18,378	¥ 330,034

Depreciation expenses of property, plant, and equipment are included in cost of sales and selling, general, and administrative expenses in the consolidated statement of profit or loss. Impairment losses on property, plant, and equipment are included in other expense in the consolidated statement of profit or loss.

12. GOODWILL AND INTANGIBLE ASSETS

The following table presents reconciliation of acquisition cost, accumulated depreciation and accumulated impairment losses, and balances of carrying amount of the Company's intangible assets:

Acquisition Costs

(Unit: millions of yen)

	Software	Intangible assets through business combination	Capitalized development costs	Other	Total
January 1, 2017	¥ 30,969	¥ 32,136	¥ 5,626	¥ 10,380	¥ 79,111
Acquisition	4,769	1,137	—	975	6,881
Internal development	1,776	—	5,345	—	7,121
Sales and disposal	(764)	—	(20)	(22)	(806)
Exchange rate differences on foreign currencies	452	918	440	797	2,607
Others	(736)	—	—	(849)	(1,585)
December 31, 2017	¥ 36,466	¥ 34,191	¥ 11,391	¥ 11,281	¥ 93,329
Acquisition	6,280	—	—	1,694	7,974
Internal development	2,257	—	3,403	—	5,660
Sales and disposal	(6,352)	—	(192)	(79)	(6,623)
Exchange rate differences on foreign currencies	88	(1,212)	(392)	(658)	(2,174)
Others	(1,243)	—	—	(1,238)	(2,481)
December 31, 2018	¥ 37,496	¥ 32,979	¥ 14,210	¥ 11,000	¥ 95,685

Accumulated Amortization and Accumulated Impairment Losses

(Unit: millions of yen)

	Software	Intangible assets through business combination	Capitalized development costs	Other	Total
January 1, 2017	¥ 18,705	¥ 10,814	¥ 3,112	¥ 6,140	¥ 38,771
Amortization	4,280	1,966	679	530	7,455
Sales and disposal	(755)	—	(20)	(22)	(797)
Exchange rate differences on foreign currencies	262	1,014	242	493	2,011
Others	(396)	—	—	(698)	(1,094)
December 31, 2017	¥ 22,096	¥ 13,794	¥ 4,013	¥ 6,443	¥ 46,346
Amortization	4,649	1,973	1,403	480	8,505
Sales and disposal	(6,315)	—	(188)	(79)	(6,582)
Exchange rate differences on foreign currencies	219	(732)	(560)	(10)	(1,083)
Others	(977)	—	—	(472)	(1,449)
December 31, 2018	¥ 19,672	¥ 15,035	¥ 4,668	¥ 6,362	¥ 45,737

Balances of Carrying Amount

(Unit: millions of yen)

	Software	Intangible assets through business combination	Capitalized development costs	Other	Total
January 1, 2017 (Transition date)	¥ 12,264	¥ 21,322	¥ 2,514	¥ 4,240	¥ 40,340
December 31, 2017	¥ 14,370	¥ 20,397	¥ 7,378	¥ 4,838	¥ 46,983
December 31, 2018	¥ 17,824	¥ 17,944	¥ 9,542	¥ 4,638	¥ 49,948

Intangible assets through business combination include items such as customer relationships, trademarks, and technology know-how, etc.

Amortization expenses of intangible assets are included in cost of sales and selling, general, and administrative expenses in the consolidated statement of profit or loss.

The following table presents the expenditures related to research and development that were expensed during the periods:

(Unit: millions of yen)

Years ended December 31:	2018	2017
Amounts incurred	¥ 55,841	¥ 48,110
Amounts transferred to capitalized development costs	(3,403)	(5,345)
Capitalized development costs amortized	1,403	679
Total	¥ 53,841	¥ 43,444

"Other" in the above tables includes goodwill and intangible assets with indefinite useful lives. The following table presents the carrying amount of goodwill allocated to CGUs:

(Unit: millions of yen)

	December 31, 2018	December 31, 2017	January 1, 2017 (Transition date)
Farm & Industrial Machinery	¥ 3,353	¥ 3,473	¥ 3,308

The amount of intangible assets with indefinite useful lives is not material.

The recoverable amount of the CGU to which goodwill is allocated is measured using the value in use. The value in use is calculated by discounting the estimated future cash flows based on the business plan, considering the past results, for the next five years approved by management to the present value.

The estimated future cash flows for the periods over the next five years approved by management is calculated by using the market growth rate (from 2.5% to 3.0%), considering the long-term average growth rate in each country or market in which the CGU belongs. The discount rate is based on the pre-tax weighted average cost of capital on a CGU (from 8.2% to 9.9%).

Since the value in use sufficiently exceeds carrying amount of the CGU, the Company considers that it is not probable that significant impairment would be identified even though the growth rate or the discount rate, which are used for calculating value in use, fluctuated within a reasonable range.

13. LEASES

As Lessee

The Company leases certain office space, manufacturing equipment, and employee housing under lease agreements.

The following table presents carrying amounts of leased assets under finance leases:

(Unit: millions of yen)

	December 31, 2018	December 31, 2017	January 1, 2017 (Transition date)
Buildings and structures	¥ 1,209	¥ 1,341	¥ 1,273
Machinery and equipment, and others	1,122	1,313	1,092
Total	¥ 2,331	¥ 2,654	¥ 2,365

The following table reconciles total minimum lease payments and their present values under finance leases:

(Unit: millions of yen)

Years ending December 31:	December 31, 2018 Total minimum lease payments	December 31, 2018 Present value of total minimum lease payments	December 31, 2017 Total minimum lease payments	December 31, 2017 Present value of total minimum lease payments	January 1, 2017 (Transition date) Total minimum lease payments	January 1, 2017 (Transition date) Present value of total minimum lease payments
2019	¥ 601	¥ 599	¥ 673	¥ 671	¥ 596	¥ 592
2020 to 2023	1,370	1,357	1,075	1,062	1,335	1,319
2024 and thereafter	1	1	765	747	594	575
Total	¥ 1,972	¥ 1,957	¥ 2,513	¥ 2,480	¥ 2,525	¥ 2,486
Less:						
Interest equivalent	(15)		(33)		(39)	
Present value of minimum lease payments	¥ 1,957		¥ 2,480		¥ 2,486	

The following table presents future minimum lease payments under noncancelable operating leases:

(Unit: millions of yen)

Years ending December 31:	December 31, 2018	December 31, 2017	January 1, 2017 (Transition date)
2019	¥ 4,598	¥ 3,192	¥ 2,387
2020 to 2023	5,272	5,288	3,500
2024 and thereafter	1,082	686	154
Total	¥ 10,952	¥ 9,166	¥ 6,041

Minimum lease payments under operating leases recognized as an expense were ¥13,550 million and ¥10,634 million for the years ended December 31, 2018 and 2017, respectively.

As Lessor

The Company provides finance leases to end users related to the Company's products, such as farm equipment, etc.

The following table reconciles gross investments in the lease and the present value of minimum lease payments receivable under finance leases:

(Unit: millions of yen)

Years ending December 31:	December 31, 2018 Gross investments in the leases	December 31, 2018 Present value of minimum lease payments receivable	December 31, 2017 Gross investments in the leases	December 31, 2017 Present value of minimum lease payments receivable	January 1, 2017 (Transition date) Gross investments in the leases	January 1, 2017 (Transition date) Present value of minimum lease payments receivable
2019	¥ 89,850	¥ 76,740	¥ 82,955	¥ 70,559	¥ 72,400	¥ 61,098
2020 to 2023	180,389	153,529	151,304	128,128	140,041	117,817
2024 and thereafter	13,048	11,161	8,252	6,987	6,977	5,911
Total	¥ 283,287	¥ 241,430	¥ 242,511	¥ 205,674	¥ 219,418	¥ 184,826
Less:						
Unearned finance income	(41,857)		(36,837)		(34,592)	
Present value of minimum lease payments receivable	¥ 241,430		¥ 205,674		¥ 184,826	

14. BONDS AND BORROWINGS

Bonds and Borrowings

Bonds and borrowings are composed of the following:

(Unit: millions of yen)

	December 31, 2018	December 31, 2017	January 1, 2017 (Transition date)
Short-term borrowings *1	¥ 184,739	¥ 182,461	¥ 193,883
Bonds and long-term borrowings *2	654,526	651,640	621,476
Total	¥ 839,265	¥ 834,101	¥ 815,359
Current liabilities	349,060	363,488	338,488
Noncurrent liabilities	490,205	470,613	476,871

(Notes)

*1. Short-term borrowings were composed of notes payable to banks. The weighted-average interest rate on short-term borrowings at December 31, 2018, was 1.95%.

*2. Bonds and long-term borrowings included their current portions.

Bonds and long-term borrowings (including current portion) are composed of the following:

(Unit: millions of yen)

	Due in years ended (ing) December 31:	December 31, 2018	December 31, 2017	January 1, 2017 (Transition date)
Bonds:				
U.S. dollar notes (floating rate 1.10%)	2017	¥ —	¥ —	¥ 5,832
Yen notes (fixed rate 0.30%)	2018	—	20,000	19,986
Yen notes (fixed rate 0.51%)	2020	19,985	19,974	19,963
Long-term borrowings maturing on various dates through 2023 (2.20%):				
Secured		199,733	170,718	143,598
Unsecured		434,808	440,948	432,097
Total		¥ 654,526	¥ 651,640	¥ 621,476
Current portion		164,321	181,027	144,605

(Note)

Interest rates in the parentheses of bonds are those of nominal interest rates and an interest rate in the parentheses of long-term borrowings is that of the weighted-average interest rate at December 31, 2018.

Assets Pledged as Collateral

The following table presents assets pledged as collateral:

(Unit: millions of yen)

	December 31, 2018	December 31, 2017	January 1, 2017 (Transition date)
Trade receivables	¥ 50	¥ 333	¥ 327
Finance receivables (current) *1	82,182	70,791	60,361
Other financial assets *2	12,622	11,433	9,277
Finance receivables (noncurrent) *1	144,131	120,870	104,928
Property, plant, and equipment	1,628	3,249	1,819
Total	¥ 240,613	¥ 206,676	¥ 176,712

(Notes)

*1. Finance receivables are pledged in accordance with the terms of securitization transactions.

*2. Other financial assets represent restricted cash, which is pledged in accordance with the terms of borrowings.

Both short-term and long-term bank loans are made under general agreements, which provide that security and guarantees for future indebtedness will be given upon request from the bank and that the bank has the right to offset cash deposits against obligations that have become due or, in the event of default, against all obligations due to the bank. Long-term agreements with lenders other than banks also generally provide that the Company must give additional security upon request from the lender.

There are restrictive covenants related to the borrowings including negative pledges, a rating trigger, and minimum net worth. The rating trigger requires that the Company keep or has a rating higher than the “BBB－”rating by Rating and Investment Information, Inc. The minimum net worth covenant requires that total equity shall be maintained at more than ¥890.3 billion on a consolidated financial statement basis and more than ¥399.2 billion on a separate financial statement basis of the Parent Company. The Company was in compliance with these restrictive covenants at December 31, 2018.

15. TRADE PAYABLES

Trade payables are composed of the following:

(Unit: millions of yen)

	December 31, 2018	December 31, 2017	January 1, 2017 (Transition date)
Trade notes payable	¥ 191,563	¥ 176,987	¥ 157,471
Trade accounts payable	115,196	109,134	98,388
Total	¥ 306,759	¥ 286,121	¥ 255,859

16. OTHER FINANCIAL LIABILITIES

December 31, 2018

Other financial liabilities are composed of the following:

(Unit: millions of yen)

	December 31, 2018
Financial liabilities measured at amortized cost:	
Notes and accounts payable for capital expenditures	¥ 26,624
Deposits received	17,752
Others	14,811
Financial liabilities measured at fair value through profit or loss:	
Derivatives	2,942
Total	¥ 62,129
Current liabilities	57,402
Noncurrent liabilities	4,727

December 31, 2017, and January 1, 2017 (Transition date)

In accordance with exemptions from the retrospective application of IFRS 9 specified in IFRS 1, the Company applied U.S. GAAP as of December 31 and January 1, 2017.

The following table presents the Company’s other financial liabilities:

(Unit: millions of yen)

	December 31, 2017	January 1, 2017 (Transition date)
Notes and accounts payable for capital expenditures	¥ 17,852	¥ 24,321
Deposits received	9,444	9,258
Derivatives	3,657	5,179
Others	12,229	8,309
Total	¥ 43,182	¥ 47,067
Current liabilities	39,561	45,148
Noncurrent liabilities	3,621	1,919

17. PROVISIONS

The following table presents a reconciliation of provisions by items:

(Unit: millions of yen)

	Product warranty	Other provisions	Total
January 1, 2017	¥ 15,015	¥ 3,602	¥ 18,617
Additions	15,349	2,370	17,719
Utilized	(11,965)	(1,536)	(13,501)
Reversal	(531)	(138)	(669)
Others	221	5	226
December 31, 2017	18,089	4,303	22,392
Additions	17,239	3,504	20,743
Utilized	(14,903)	(2,241)	(17,144)
Reversal	(872)	—	(872)
Others	(424)	(66)	(490)
December 31, 2018	¥ 19,129	¥ 5,500	¥ 24,629

The Company provides contractual product warranties under which it generally guarantees the performance of products sold according to a product specification which the Company and its customers have mutually agreed on. The Company makes provisions for product warranties based on an analysis of the historical data under the warranties and an outflow of economic benefits is expected to be made in the following year in which the product is actually sold.

Other provision includes provisions for loss on orders received and provisions for assets retirement obligation.

The following table presents the breakdown of provision by current and noncurrent categories:

(Unit: millions of yen)

	December 31, 2018	December 31, 2017	January 1, 2017 (Transition date)
Current liabilities	¥ 22,415	¥ 21,213	¥ 17,387
Noncurrent liabilities	2,214	1,179	1,230
Total	¥ 24,629	¥ 22,392	¥ 18,617

Provisions categorized as noncurrent liabilities are included in other noncurrent liabilities on the consolidated statement of financial position.

18. EMPLOYEE BENEFITS

Postemployment Benefits

The Parent Company and most subsidiaries mainly in Japan have defined benefit corporate pension plans and/or lump-sum severance indemnity plans covering substantially all of their employees as defined benefit pension plans. At the Parent Company and certain subsidiaries, employees who terminate their employment have the option to receive benefits in the form of a lump-sum payment or annuity payments from defined benefit pension plans. The benefits are mainly calculated based on accumulated *points* under the point-based benefits system. The *points* consist of *service period points*, which are attributed to the length of service, *job title points*, which are attributed to the job title of each employee, and *performance points*, which are attributed to the annual performance evaluation of each employee.

Defined benefit corporate pension plans are run by Kubota Pension Fund, which is a separate legal entity from the Parent Company, in compliance with laws and regulations. Such laws and regulations require the Board of Kubota Pension Fund and the pension investment organization to execute their duties in the best interest for the participants in defined benefit pension plans and to assume responsibility on the management of their plan assets in conformity with predetermined policies.

In addition, the Parent Company and certain domestic subsidiaries employ defined contribution pension plans for most of their employees.

(1) Defined benefit liabilities or assets recognized in the consolidated statement of financial position

The following table presents net defined benefit liabilities and assets, and a status of defined benefit obligation and plan assets:

(Unit: millions of yen)

	December 31, 2018	December 31, 2017	January 1, 2017 (Transition date)
Present value of defined benefit obligation	¥ 217,615	¥ 217,168	¥ 214,323
Fair value of plan assets	206,067	219,248	207,141
Effect of asset ceiling	982	6,611	—
Net defined pension liabilities	¥ 12,530	¥ 4,531	¥ 7,182
Amount recognized in the consolidated statement of financial position:			
Other noncurrent assets	¥ 1,968	¥ 8,412	¥ 4,909
Retirement benefit liabilities	14,498	12,943	12,091
Net amount recognized in the consolidated statement of financial position	¥ 12,530	¥ 4,531	¥ 7,182

(2) Present value of defined benefit liabilities

The following table presents a reconciliation of the present value of defined benefit obligation:

(Unit: millions of yen)

Years ended December 31:		**2018**		**2017**
Balance at the beginning of the year	¥	217,168	¥	214,323
Service costs		9,615		9,387
Interest costs		1,856		1,903
Remeasurement of defined benefit obligation:				
Actuarial gains and losses arising from changes in demographic assumptions		(35)		(105)
Actuarial gains and losses arising from changes in financial assumptions		258		(110)
Others		44		769
Benefits paid (lump-sum payment)		(4,325)		(4,966)
Benefits paid (annuity payment)		(5,535)		(5,788)
Changes in scope of consolidation		(64)		609
Exchange rate differences on foreign currencies		(1,367)		1,146
Balance at the end of the year	¥	217,615	¥	217,168

The weighted-average duration of defined benefit obligation at December 31, 2018 and 2017, and January 1, 2017 (transition date), was 15 years.

(3) Fair value of plan assets

The following table presents a reconciliation of the fair value of plan assets:

(Unit: millions of yen)

Years ended December 31:		**2018**		**2017**
Balance at the beginning of the year	¥	219,248	¥	207,141
Interest income*		1,883		1,858
Return from remeasurement of plan assets		(12,965)		11,366
Employer contributions		6,291		6,098
Benefits paid (lump-sum payment)		(1,935)		(2,365)
Benefits paid (annuity payment)		(5,535)		(5,788)
Changes in scope of consolidation		—		237
Exchange rate differences on foreign currencies		(920)		701
Balance at the end of the year	¥	206,067	¥	219,248

(Note)

* Interest income is calculated by multiplying fair value of plan assets by a discount rate.

The Company plans to make contributions of ¥6,800 million to the defined benefit corporate pension plan for the year ending December 31, 2019.

(4) Effect of asset ceiling

When the defined benefit plan is in surplus, the amount of defined benefit assets recorded in the consolidated statement of financial position is limited to a ceiling defined by the present value of any future economic benefits available in the form of returns from the defined benefit pension plan and reductions in future contributions to the defined benefit plan.

The following table presents a reconciliation of the effect of the asset ceiling:

(Unit: millions of yen)

		December 31, 2018		**December 31, 2017**
Balance at the beginning of the year	¥	6,611	¥	—
Interest income		47		—
Remeasurement of defined benefit pension plan:				
Changes in effect of asset ceiling		(5,676)		6,611
Balance at the end of the year	¥	982	¥	6,611

(5) Actuarial assumptions

The following table presents significant actuarial assumptions used for calculating the present value of defined benefit obligation:

	December 31, 2018	December 31, 2017	January 1, 2017 (Transition date)
Discount rate	0.9%	0.9%	0.9%

The rate of compensation increase is not used in the calculations of defined benefit obligation under the point-based benefits system.

(6) Breakdown of plan assets by item

The plan assets are composed of the following:

(Units: millions of yen)

December 31, 2018	With quoted price in an active market	With no quoted price in an active market	Total
Equity securities:			
Financial institutions (Japanese equity securities)	¥ 7,068	¥ —	¥ 7,068
Other industries (Japanese equity securities)	7,806	—	7,806
Pooled funds (Japanese equity securities)	—	20,679	20,679
Pooled funds (Foreign equity securities)	—	27,653	27,653
Debt securities:			
Pooled funds (Japanese debt securities)	—	69,770	69,770
Pooled funds (Foreign debt securities)	—	35,989	35,989
Cash and short-term investments	4,567	1,265	5,832
General accounts of insurance companies	—	27,382	27,382
Other assets	—	3,888	3,888
Total	¥ 19,441	¥ 186,626	¥ 206,067

(Units: millions of yen)

December 31, 2017	With quoted price in an active market	With no quoted price in an active market	Total
Equity securities:			
Financial institutions (Japanese equity securities)	¥ 9,408	¥ —	¥ 9,408
Other industries (Japanese equity securities)	10,261	—	10,261
Pooled funds (Japanese equity securities)	—	25,256	25,256
Pooled funds (Foreign equity securities)	—	32,369	32,369
Debt securities:			
Pooled funds (Japanese debt securities)	—	82,126	82,126
Pooled funds (Foreign debt securities)	—	30,977	30,977
Cash and short-term investments	559	1,253	1,812
General accounts of insurance companies	—	26,931	26,931
Other assets	—	108	108
Total	¥ 20,228	¥ 199,020	¥ 219,248

(Units: millions of yen)

January 1, 2017	With quoted price in an active market	With no quoted price in an active market	Total
Equity securities:			
Financial institutions (Japanese equity securities)	¥ 8,880	¥ —	¥ 8,880
Other industries (Japanese equity securities)	8,127	—	8,127
Pooled funds (Japanese equity securities)	—	25,313	25,313
Pooled funds (Foreign equity securities)	—	32,061	32,061
Debt securities:			
Pooled funds (Japanese debt securities)	—	84,834	84,834
Pooled funds (Foreign debt securities)	—	19,773	19,773
Cash and short-term investments	505	1,581	2,086
General accounts of insurance companies	—	25,995	25,995
Other assets	—	72	72
Total	¥ 17,512	¥ 189,629	¥ 207,141

The Company’s policy and objective for plan asset management is to maximize returns on plan assets to meet future benefit payment requirements under risks which the Company considers permissible. To mitigate any potential concentration risk, careful consideration is given to balancing the portfolio among industry sectors, companies, and geographies, taking into account interest rate sensitivity, dependence on economic growth, currency, and other factors that affect investment returns. The Company’s target allocation is 36% of equity securities and foreign debt securities subject to foreign currency exchange rate risks and 64% of other investment vehicles, mainly consisting of Japanese debt securities, foreign debt securities not subject to foreign currency exchange rate risks, cash, short-term investments, and the general accounts of insurance companies.

A large portion of the plan assets is managed by trust banks and investment advisors. Those fund managers are bound by the Company’s plan asset management guidelines, which are established to achieve the optimized asset compositions in terms of long-term overall plan asset management, and the fund managers’ performance are measured against specific benchmarks.

To measure the performance of the plan asset management, the Company establishes benchmark return rates for each individual investment, combines these individual benchmark rates based on the asset composition ratios within each asset category, and compares the combined rates with the corresponding actual return rates on each asset category.

(7) Sensitivity analysis of significant actuarial assumptions

The following table presents a sensitivity analysis of significant actuarial assumptions on defined benefit liabilities:

(Unit: millions of yen)

	December 31, 2018	December 31, 2017	January 1, 2017 (Transition date)
Discount rate (0.5% increase)	¥ 11,551 (decrease)	¥ 11,516 (decrease)	¥ 11,573 (decrease)
Discount rate (0.5% decrease)	12,940 (increase)	12,878 (increase)	12,963 (increase)

The above sensitivity analysis assumes that assumptions other than discount rate remain unchanged, and therefore the actual results may differ from the above, since other assumptions in fact would change in relation to each other.

The above sensitivity analysis was made by the same method used for calculating defined benefit obligation recognized in the consolidated statement of financial position.

(8) Defined contribution pension plans

Costs recognized for defined contribution pension plans for the years ended December 31, 2018 and 2017, were ¥4,249 million and ¥2,707 million, respectively. The above amounts include costs recoginized for public pension plans.

Employee Benefit Expenses

Employee benefit expenses included in the consolidated statement of profit or loss were ¥307,191 million and ¥291,590 million for the years ended December 31, 2018 and 2017, respectively.

Employee benefit expenses include expenses, such as those related to salaries, bonus, welfare, and postemployment benefits for employees. Compensation for the Directors is also included in employee benefit expenses (see Note 29. RELATED-PARTY TRANSACTIONS).

Employee benefit expenses are included in cost of sales and selling, general, and administrative expenses in the consolidated statement of profit or loss.

19. OTHER LIABILITIES

The following table presents the Company's other liabilities:

(Unit: millions of yen)

	December 31, 2018	December 31, 2017	January 1, 2017 (Transition date)
Employment benefit obligation	¥ 43,309	¥ 42,076	¥ 37,518
Accrued expenses	34,054	31,460	29,969
Refund liabilities	46,486	43,739	41,832
Contract liabilities	12,243	11,593	9,295
Others	49,403	51,972	44,818
Total	¥ 185,495	¥ 180,840	¥ 163,432
Current liabilities	177,834	169,849	157,872
Noncurrent liabilities	7,661	10,991	5,560

20. EQUITY

Number of Shares Authorized to Be Issued and Number of Issued Shares

The total number of shares authorized to be issued was 1,874,700,000 shares as of December 31, 2018 and 2017, and January 1, 2017. All shares issued by the Company are common stock without par value. Issued shares have been fully paid.

The following table presents a reconciliation of the number of issued shares:

(Unit: thousands of shares)

Years ended December 31:	**2018**	**2017**
Number of issued shares:		
Balance at the beginning of the year	1,234,024	1,241,119
Increase during the year *1	33	35
Decrease during the year *2	(1,500)	(7,130)
Balance at the end of the year	1,232,557	1,234,024

(Notes)

*1. The increases in the years ended December 31, 2018 and 2017, are due to the issuance of new shares under the share-based payments with the restricted stock compensation plan.

*2. The increase in the year ended December 31, 2017, is due to retirement of treasury shares.

The number of treasury shares included in the above number of issued shares, including those held by associates, is 439,000 shares, 362,000 shares, and 416,000 shares at December 31, 2018 and 2017, and January 1, 2017, respectively.

Share Premium and Retained Earnings

(1) Share premium

Share premium is composed of a surplus which is derived from equity transactions but is not recorded as share capital, and it is mainly composed of capital reserves. The Companies Act of Japan (the "Act") provides that no less than 50% of the paid-in amount or proceeds of issuance of shares should be incorporated in share capital and that the remaining should be appropriated as capital reserve within share premium. Capital reserve may be appropriated as share capital with the approval of the General Meeting of Shareholders.

(2) Retained earnings

Retained earnings are composed of a legal reserve and other accumulated earnings. The Act provides that an amount equal to 10% of cash dividends from retained earnings should be appropriated as a capital reserve or a legal reserve until the aggregated amount of capital reserve and legal reserve equals 25% of share capital. The legal reserve may be used to compensate for deficits or may be reversed with the approval of the General Meeting of Shareholders.

Dividends

(1) Dividends paid

Year ended December 31, 2018

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

Year ended December 31, 2017

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

(2) Dividends with the record date falling in the year ended December 31, 2018, but the effective date falling in the following year

Resolution	Class of shares	Dividends (millions of yen)	Dividends per common share	Record date	Effective date
Meeting of the Board of Directors on February 14, 2019	Common shares	¥ 22,184	¥ 18.00	December 31, 2018	March 25, 2019

Other Components of Equity

The following table presents a reconciliation of other components of equity by item:

With regards to financial assets as of January 1 and December 31, 2017, the Company applied U.S. GAAP in accordance with exemptions from the retrospective application of IFRS 9 stipulated in IFRS 1.

(Unit: millions of yen)

	Remeasurement of defined benefit pension plans	Net change in fair value of financial assets measured at fair value through other comprehensive income	Exchange rate differences on translating foreign operations	Unrealized gains on securities	Total
January 1, 2017	¥ —	¥ —	¥ —	¥ 70,463	¥ 70,463
Changes during the year	2,839	—	5,658	5,803	14,300
Transfer to retained earnings	(2,839)	—	—	—	(2,839)
December 31, 2017	¥ —	¥ —	¥ 5,658	¥ 76,266	¥ 81,924
Cumulative effects due to new accountings standards adopted	—	79,528	—	(76,266)	3,262
Changes during the year	(4,716)	(21,497)	(24,838)	—	(51,051)
Transfer to retained earnings	4,666	(3,433)	—	—	1,233
Changes in ownership interests in subsidiaries	50	(33)	(42)	—	(25)
December 31, 2018	¥ —	¥ 54,565	¥ (19,222)	¥ —	¥ 35,343

The following table presents the breakdown of total other comprehensive income, net of income tax, by item and related tax effects (including noncontrolling interests).

(Unit: millions of yen)

Years ended December 31:	2018			2017		
	Before tax	Tax effect	Net of tax	Before tax	Tax effect	Net of tax
Remeasurement of defined benefit pension plans:						
Increase (decrease) during the year	¥ (7,071)	¥ 2,340	¥ (4,731)	¥ 4,125	¥ (1,274)	¥ 2,851
	(7,071)	2,340	(4,731)	4,125	(1,274)	2,851
Net change in fair value of financial assets measured at fair value through other comprehensive income:						
Increase (decrease) during the year	(31,361)	9,735	(21,626)	—	—	—
	(31,361)	9,735	(21,626)	—	—	—
Exchange differences on translating foreign operations:						
Increase (decrease) during the year	(27,076)	893	(26,183)	10,194	(814)	9,380
Reclassification to profit or loss	—	—	—	—	—	—
	(27,076)	893	(26,183)	10,194	(814)	9,380
Unrealized gains on securities:						
Increase (decrease) during the year	—	—	—	17,073	(5,363)	11,710
Reclassified to profit or loss	—	—	—	(8,403)	2,588	(5,815)
	—	—	—	8,670	(2,775)	5,895
Total	¥ (65,508)	¥ 12,968	¥ (52,540)	¥ 22,989	¥ (4,863)	¥ 18,126

The following table presents the breakdown of total other comprehensive income, net of income tax, which is included in noncontrolling interests:

(Unit: millions of yen)

Years ended December 31:	2018	2017
Remeasurement of defined benefit pension plans	¥ (15)	¥ 12
Net change in fair value of financial assets measured at fair value through other comprehensive income	(129)	—
Exchange rate differences on translating foreign operations	(1,345)	3,722
Unrealized gains on securities	—	92
Total	¥ (1,489)	¥ 3,826

21. REVENUE

Disaggregation of Revenue

The following table presents the Company's revenue recognized from contracts with customers and other sources of revenue by product group and location:

(Unit: millions of yen)

Year ended December 31, 2018	Japan	North America	Europe	Asia outside Japan	Other areas	Total
Farm equipment and engines	¥ 268,598	¥ 423,098	¥ 171,653	¥ 267,395	¥ 41,731	¥ 1,172,475
Construction machinery	37,298	134,462	81,391	23,932	12,639	289,722
Farm & Industrial Machinery	305,896	557,560	253,044	291,327	54,370	1,462,197
Pipe-related products	140,549	1,083	5	9,184	6,940	157,761
Environment-related products	72,712	1,764	661	9,368	1,012	85,517
Social infrastructure-related products	25,117	9,469	2,629	6,559	5,229	49,003
Water & Environment	238,378	12,316	3,295	25,111	13,181	292,281
Other	30,028	10	8	27	4	30,077
Revenue recognized from:						
Contracts with customers	574,302	569,886	256,347	316,465	67,555	1,784,555
Other sources of revenue	3,038	42,689	—	18,442	1,592	65,761
Total	¥ 577,340	¥ 612,575	¥ 256,347	¥ 334,907	¥ 69,147	¥ 1,850,316

(Unit: millions of yen)

Year ended December 31, 2017	Japan	North America	Europe	Asia outside Japan	Other areas	Total
Farm equipment and engines	¥ 255,970	¥ 376,743	¥ 156,161	¥ 284,568	¥ 46,762	¥ 1,120,204
Construction machinery	35,310	121,717	66,925	20,972	12,658	257,582
Farm & Industrial Machinery	291,280	498,460	223,086	305,540	59,420	1,377,786
Pipe-related products	149,306	1,051	153	7,966	5,189	163,665
Environment-related products	67,861	1,618	912	6,657	1,352	78,400
Social infrastructure-related products	23,546	7,963	2,508	5,301	4,292	43,610
Water & Environment	240,713	10,632	3,573	19,924	10,833	285,675
Other	28,561	9	4	28	2	28,604
Revenue recognized from:						
Contracts with customers	560,554	509,101	226,663	325,492	70,255	1,692,065
Other sources of revenue	3,239	36,918	—	17,416	1,400	58,973
Total	¥ 563,793	¥ 546,019	¥ 226,663	¥ 342,908	¥ 71,655	¥ 1,751,038

Revenue recognized from other sources of revenue includes revenue from retail finance in accordance with IFRS 9 and revenue from finance leases in accordance with IAS 17. The amounts of the above revenue were ¥48,942 million and ¥44,330 million for the years ended December 31, 2018 and 2017, respectively.

The Company engages in various fields of business and industries by providing products and services which are categorized mainly into the Farm & Industrial Machinery business and the Water & Environment business.

Performance obligations for each business are as follows:

(1) Farm & Industrial Machinery

In the Farm & Industrial Machinery business, the Company manufactures products such as farm equipment, agricultural-related products, engines, and construction machinery in Japan and overseas countries and sells those products to the corporate dealers and individual and corporate end-users in those areas. The Company determines that performance obligations are satisfied when the products are delivered to customers, and therefore, revenue from the sale of products is recognized at that time. The Company does not adjust the promised amount of consideration for the effects of a significant financing component as a practical expedient stipulated in IFRS 15 since the customers pay for those products within one year. Revenue is measured at the consideration promised in contracts with customers less discounts, rebates depending on sales volume, and other items. The Company recognizes the consideration received from a customer as a liability when the Company expects to refund it in the future.

There are no significant obligations for return to customers.

The Company provides product warranties to cover free replacement and/or repairs on malfunctions resulting from product defects for a certain period of time after the sale. The warranties generally guarantee to customers the performance of the products sold according to product specifications which the Company and its customers have mutually agreed on. The Company makes provisions for product warranties by estimating related future cash outflows with consideration of historical data under the warranties.

(2) Water & Environment

In the Water & Environment business, the Company manufactures and sells pipe-related products, environment-related products, and social infrastructure-related products. The Company determines that performance obligations are satisfied when the products are delivered to customers, and therefore, revenue from the sale of products is recognized at that time. The Company combines construction contracts on public spending, such as environment-related facilities and water supply facilities, with national and local government in Japan and corporate customers both in Japan and overseas countries. Revenue is recognized over a construction period since a performance obligation is satisfied in accordance with the progress of construction. The Company uses the input method which is based on the costs incurred relative to the total expected costs of individual contracts, as the method to measure the extent of progress towards completion. The Company does not adjust the promised amount of consideration for the effects of a significant financing component as a practical expedient stipulated in IFRS 15 since the customers pay for those products within one year. Revenue is measured at the consideration promised in contract with customers, less discounts, rebates depending on sales volume, and other items. The Company recognizes the consideration received from a customer as a liability when the Company expects to refund it in the future.

There are no significant obligations for return to customers.

The Company provides product warranties to cover free replacements and/or repairs on defects found for a certain period of time after the sale. The warranties generally guarantee to customers the performance of the products sold according to product specifications or services rendered according to an intention of service, which the Company and its customers have mutually agreed on. The Company makes provisions for product warranties by estimating related future cash outflows with consideration of historical data under the warranties.

Contract Balances

The following table presents the balances of receivables, contract assets, and contract liabilities from contracts with customers:

(Unit: millions of yen)

	December 31, 2018	December 31, 2017	January 1, 2017 (Transition date)
Receivables	¥ 697,072	¥ 679,019	¥ 663,058
Contract assets	18,631	19,797	19,831
Contract liabilities	¥ 12,243	¥ 11,593	9,295

Receivables arising from contracts with customers are composed of trade notes and long-term trade accounts receivable, which are included in other financial assets—noncurrent on the consolidated statement of financial position.

Contract assets are the Company’s rights to consideration, excluding any amounts presented as a receivable, in exchange for services rendered under the construction contracts in the Water & Environment business, in which revenue is recognized over time by measuring the progress towards complete satisfaction. Contract assets are included in other current assets on the consolidated statement of financial position and reclassified into receivables at the time when the Company’s right to consideration becomes an unconditional right to payment before its payment due date.

Contract liabilities include accounts such as advances from customers.

The following table presents the significant changes in the balances of contract assets and contract liabilities:

(Unit: millions of yen)

	2018		2017	
Years ended December 31:	Contract assets	Contract liabilities	Contract assets	Contract liabilities
Increase by revenue recognition	¥ 62,386	¥ —	¥ 54,019	¥ —
Decrease by transfer to receivables	(63,552)	—	(54,053)	—
Increase by receipt of cash	—	88,035	—	¥ 119,570
Decrease by recognition of revenue	—	(87,090)	—	(117,472)

The amounts of revenue recognized during the reporting period, which were included in the beginning balance of contract liabilities, were ¥9,173 million and ¥8,354 million for the years ended December 31, 2018 and 2017, respectively.

The amounts of revenue recognized from performance obligations which had been satisfied or partially satisfied in the past were not material for the years ended December 31, 2018 and 2017.

Transaction Price Allocated to Remaining Performance Obligation

The aggregate amount of the transaction price allocated to the performance obligations that were unsatisfied (or partially unsatisfied) were ¥151,175 million and ¥96,898 million for the years ended December 31, 2018 and 2017, respectively. These performance obligations are related to construction contracts in the Water & Environment business and deemed to be recognized as revenue within about five years in accordance with the progress of construction.

As a practical expedient stipulated in IFRS 15, the above amount did not include transaction price allocated to the performance obligation of a contract that has an original expected duration of one year or less.

There were no significant considerations from contracts with customers which was not included in the transaction price.

22. OTHER INCOME AND OTHER EXPENSES

The other income and other expense are composed of the following:

(Unit: millions of yen)

Years ended December 31:		2018		2017
Other income:				
Foreign exchange gains	¥	—	¥	20
Royalty income		1,711		1,100
Insurance proceeds		1,998		6
Gain on sales of investments in affiliates		—		638
Other		1,331		391
Total	¥	5,040	¥	2,155
Other expense:				
Foreign exchange losses	¥	(6,674)	¥	—
Loss from disposal of property, plant, and equipment and intangible assets		(1,906)		(1,120)
Loss resulting from disaster		(1,189)		—
Other		(726)		(373)
Total	¥	(10,495)	¥	(1,493)

23. FINANCE INCOME AND FINANCE COSTS

Year Ended December 31, 2018

Finance income and finance costs are composed of the following:

(Unit: millions of yen)

Year ended December 31:		2018
Finance income:		
Interest income:		
Financial assets measured at amortized cost	¥	4,478
Dividend income:		
Equity financial assets measured at fair value through other comprehensive income		3,630
Other		1,708
Total	¥	9,816
Finance costs:		
Interest expenses:		
Financial liabilities measured at amortized cost	¥	(1,039)
Other		(861)
Total	¥	(1,900)

Dividend income from which equity financial assets were derecognized during the period was not material.

Year Ended December 31, 2017

In accordance with exemptions from the retrospective application of IFRS 9 stipulated in IFRS 1, the Company applied U.S. GAAP for the year ended December 31, 2017.

Finance income and finance costs are composed of the following:

(Unit: millions of yen)

Year ended December 31:		2017
Finance income:		
Interest income	¥	3,770
Dividend income		3,613
Gains on sales of securities—net		8,403
Foreign exchange gains—net		8,092
Other		367
Total	¥	24,245
Finance expenses:		
Interest expenses	¥	(916)
Derivatives		(8,458)
Other		(816)
Total	¥	(10,190)

24. INCOME TAXES

Income Tax Expenses

Income tax expenses are composed of the following:

(Unit: millions of yen)

Years ended December 31:		2018		2017
Current tax expenses				
Tax expenses recognized for the current taxable income	¥	52,659	¥	69,856
Subtotal		52,659		69,856
Deferred tax expenses				
Temporary differences originated and reversed		(3,622)		(6,508)
Changes in tax rates		—		10,416
Changes in realizability of deferred tax assets		82		(587)
Subtotal		(3,540)		3,321
Total	¥	49,119	¥	73,177

The Parent Company and domestic affiliates are subject to the Japanese corporate tax, an inhabitant tax, and business tax. The aggregated combined statutory income tax rate for the years ended December 31, 2018 and 2017, was approximately 30.8 %. Subsidiaries located in foreign countries are subject to those local taxes.

A reconciliation of the differences between the Japanese statutory tax rates and the average effective tax rates is as follows:

Years ended December 31:	2018	2017
Japanese statutory tax rates applied to profit before income taxes	30.8%	30.8%
Increase (decrease) in taxes resulting from:		
Changes in realizability of deferred tax assets	0.0	0.0
Permanently nondeductible expenses	0.2	0.4
Nontaxable dividend income	0.0	(0.1)
Extra tax deduction on expenses for research and development	(2.8)	(1.9)
Difference in statutory tax rates of foreign subsidiaries	(4.2)	0.9
Revision of tax rate in the U.S. *	—	4.9
Other—net	0.9	(0.8)
Effective income tax rates applied to profit before income taxes	24.9%	34.2%

(Note)

* Since the Tax Cuts and Jobs Act was enacted on December 22, 2017, in the United States, the federal tax rate used in the calculation of deferred tax assets and deferred tax liabilities of subsidiaries located in the United States decreased from 35.0% to 21.0%. The revision resulted in a decrease of net

deferred tax assets and an increase of income taxes—deferred by ¥10,404 million for the year ended December 31, 2017.

Deferred Tax Assets and Deferred Tax Liabilities

The significant components of deferred tax assets and liabilities are as follows:

(Unit: millions of yen)

	December 31, 2018	December 31, 2017	January 1, 2017 (Transition date)
Deferred tax assets:			
Allowance for doubtful accounts	¥ 5,253	¥ 5,970	¥ 5,613
Intercompany profits	13,273	12,732	9,865
Financial assets measured at fair value through other comprehensive income	4,760	—	—
Adjustments on valuation of securities	—	4,906	5,326
Writedowns of inventories; property, plant, and Equipment; and intangible assets	2,300	2,179	2,346
Depreciation and amortization	4,205	3,462	1,477
Accrued bonues	3,707	3,552	3,475
Retirement benefit liabilities	11,231	8,445	9,584
Accrued expenses	11,678	10,269	13,003
Product warranty	4,402	4,035	3,554
Tax loss and credit carryforwards	2,810	3,017	3,203
Other temporary differences	21,338	24,624	23,130
Gross deferred tax assets	84,957	83,191	80,576
Deferred tax liabilities:			
Financial assets measured at fair value through other comprehensive income	23,799	—	—
Adjustments on valuation of securities	—	33,369	30,487
Unremitted earnings of foreign affiliates	27,795	26,581	24,196
Other temporary differences	12,616	15,429	11,056
Gross deferred tax liabilities	64,210	75,379	65,739
Net deferred tax assets	¥ 20,747	¥ 7,812	¥ 14,837

The following table presents a reconciliation of deferred tax assets—net:

(Unit: millions of yen)

Years ended December 31:	2018	2017
Balance at the beginning of the year	¥ 7,812	¥ 14,837
Amounts recognized through profit or loss:		
Elimination of intercompany profit included in assets	541	2,867
Depreciation and amortization	584	1,585
Accrued expenses	1,409	(2,734)
Unremitted earnings of foreign associates	(1,214)	(2,385)
Other	(759)	(1,495)
Subtotal	561	(2,162)
Amounts recognized through other comprehensive income:		
Net change in fair value of financial assets measured at fair value through other comprehensive income	9,735	—
Unrealized gains (losses) on securities	—	(2,775)
Remeasurement of defined benefit pension plan	2,340	(1,274)
Other	893	(814)
Subtotal	12,968	(4,863)
Other changes	(594)	—
Balance at the end of the year	¥ 20,747	¥ 7,812

(Note)

* The difference between amounts recognized through profit or loss and income taxes—deferred were due to fluctuation of exchange rate changes.

The following table presents deductible temporary differences, carryforward of unused tax losses, and carryforward of unused tax credit for which deferred tax assets are not recognized:

(Unit: millions of yen)

	December 31, 2018	December 31, 2017	January 1, 2017 (Transition date)
Deductible temporary differences	¥ 1,285	¥ 1,645	¥ 2,060
Carryforward of unused tax losses	16,863	17,899	17,870
Carryforward of unused tax credit	—	—	—

Carryforward of unused tax losses for which deferred tax assets are not recognized will expire as follows:

(Unit: millions of yen)

	December 31, 2018	December 31, 2017	January 1, 2017 (Transition date)
Within 1 year	¥ 852	¥ 1,150	¥ 926
Between 1 and 5 years	2,231	3,246	1,326
Later than 5 years	1,401	1,384	1,142
Indefinite years	12,379	12,119	14,476
Total	¥ 16,863	¥ 17,899	¥ 17,870

The aggregate amounts of temporary differences relating to investments in associates for which deferred tax liabilities are not recognized were ¥10,640 million, ¥14,989 million, and ¥12,366 million at December 31, 2018 and 2017, and January 1, 2017, respectively. The above deferred tax liabilities are not recognized since it is possible for the Company to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in foreseeable periods.

The Company recognized current tax assets or liabilities for the effect of uncertainty in income taxes based on a reasonable estimate. The amounts of those assets and liabilities were not material at December 31, 2018 and 2017, and January 1, 2017.

25. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

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

Each common share and participating equity financial instrument has the same rights to profit attributable to owners of the parent.

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

Years ended December 31:	2018	2017
		(Unit: millions of yen)
Profit attributable to owners of the parent	¥ 138,595	¥ 134,160
Profit attributable to participating equity financial instruments	2	2
Profit attributable to common shareholders	¥ 138,593	¥ 134,158
		(Unit: thousands of shares)
Weighted-average number of common shares outstanding	1,232,635	1,237,024
Weighted-average number of participating equity financial instruments	15	15
Weighted-average number of common shares	1,232,620	1,237,008

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

Years ended December 31:	**2018**	**2017**
		(Unit: millions of yen)
Profit attributable to owners of the parent	¥ 138,595	¥ —
Profit attributable to participating equity financial instruments used to calculate diluted earnings per share attributable to owners of the parent	2	—
Profit attributable to common shareholders used to calculate diluted earnings per share attributable to owners of the parent	¥ 138,593	¥ —
		(Unit: thousands of shares)
Weighted-average number of common shares outstanding	1,232,635	—
Addition: remuneration for non-resident of Japan	3	—
Weighted-average number of participating equity financial instruments	15	—
Weighted-average number of common shares used to calculate diluted earnings per share attributable to owners of the parent	1,232,624	—

26. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in Liabilities Arising from Financing Activities

The following table presents the reconciliation of liabilities arising from financing activities:

(Unit: millions of yen)

	Short-term borrowings	Long-term borrowings*	Bonds	Total
January 1, 2017	¥ 185,189	¥ 584,389	¥ 45,781	¥ 815,359
Changes arising from cash flows	(17,291)	45,681	(5,958)	22,432
Non-cash changes:	2,551	(6,392)	151	(3,690)
Exchange rate differences on foreign currencies	2,859	(6,356)	126	(3,371)
Other	(308)	(36)	25	(319)
December 31, 2017	¥ 170,449	¥ 623,678	¥ 39,974	¥ 834,101
Changes arising from cash flows	12,766	31,899	(20,000)	24,665
Non-cash changes:	(7,290)	(12,222)	11	(19,501)
Exchange rate differences on foreign currencies	(7,222)	(12,222)	—	(19,444)
Other	(68)	—	11	(57)
December 31, 2018	¥ 175,925	¥ 643,355	¥ 19,985	¥ 839,265

(Note)

* Borrowings with over three-month borrowing terms are classified as long-term borrowings.

Non-cash Transaction

Non-cash transaction is composed of the following:

(Unit: millions of yen)

Years ended December 31:	**2018**	**2017**
Retirement of treasury shares	¥ 2,854	¥ 13,190

27. FINANCIAL INSTRUMENTS

Capital Management

The Company considers equity attributable to owners of the parent to be its own capital within equity.

The Company puts the highest priority on stable and sustainable enhancement of corporate value. In order to enhance sustainable growth of corporate value, the Company has established basic capital policies to make full use of its capital for further enhancement in profitability, to ensure adequate financing and liquidity for its expansion of business, and to realize greater profit distribution to its shareholders.

Based on the above basic policies, the Company decides how to allocate its retained earnings in consideration of maintaining sound business operations and accommodating the future business environment and aims to maintain stable dividends and raise dividends in regard to the return of profit to shareholders.

There are no significant restrictions subject to the Company's capital except for those generally stipulated in the Act.

Credit Risk

The Company is exposed to credit risk of customers regarding trade receivables, contract assets, long-term trade accounts receivable, and finance receivables in cases where customers become unable to satisfy their debt obligations.

With regard to trade receivables and contract assets, the Company determines a maximum credit limit of its customers individually, considering the customer's credit rating, details of transactions, and financial conditions, and monitors them on a regular basis in order to mitigate the credit risk. The Company obtains guarantee deposits, collaterals, and bank guarantees, if necessary. With regard to finance receivables and long-term trade accounts receivable, the Company performs credit research on its customers by referring to information for internal use and external credit reporting services at the time of entering into contracts with them. After the commencement of transactions, the Company manages and monitors due dates and performs collection activities, including reminders through calls, emails, and letters; visits to customers; and repossessions of products sold or leased, depending on the number of day past due dates.

The carrying amount of these financial assets, net of impairment losses, stated in the consolidated statement of financial position is the Company's maximum exposures of credit risk on financial assets.

These receivables arise from sales of the Company's products to a large number of dealers and to retail endusers.

The Company considers there to be no credit risk due to specific dealers or customers with significant transaction volumes.

The Company is exposed to the credit risk of issuers of financial assets, which are held by the Company to invest excess funds, and derivatives, which are utilized by the Company to mitigate foreign currency risk.

To prevent these credit risks, the Company raises funds mainly through bonds with low risk and conducts transactions only with financial institutions with high credit ratings.

(1) Measurement of credit risk on trade receivables, contract assets, long-term trade accounts receivable

Long-term trade accounts receivable are generated mainly from direct sales to individual endusers in the farm equipment market in Japan.

The Company always measures an allowance for doubtful accounts for trade receivables, contract assets, and long-term trade accounts receivable at an amount equal to the lifetime expected credit losses. The Company measures the expected credit losses on these financial assets in a group with similar risk characteristics, considering historical credit loss experience, current conditions and forecasts of future economic conditions. The Company also measures the expected credit losses on credit-impaired financial assets individually. The Company determines whether they are credit-impaired based on observable events, such as significant financial difficulty of the debtor, long-term past due, bankruptcy, or other financial reorganization of the debtor. Expected credit losses on contract assets are not material.

The following table presents balances of carrying amounts of trade receivables and long-term trade accounts receivable (before an allowance for doubtful accounts) by risk classification:

(Unit: millions of yen)

December 31, 2018:	Financial assets for which an allowance for doubtful accounts is always measured at an amount equal to the lifetime expected credit losses	Credit-impaired financial assets	Total
Trade receivables and long-term trade accounts receivable	¥ 696,753	¥ 3,403	¥ 700,156

The following table presents reconciliation of an allowance for doubtful accounts for the above receivables:

(Unit: millions of yen)

Year ended December 31, 2018:	Financial assets for which an allowance for doubtful accounts is always measured at an amount equal to the lifetime expected credit losses	Credit-impaired financial assets	Total
Balance at the beginning of the year	¥ 2,704	¥ 575	¥ 3,279
Remeasurement	(279)	403	124
Collection	(3)	(8)	(11)
Write-off	(232)	—	(232)
Other	(83)	7	(76)
Balance at the end of the year	¥ 2,107	¥ 977	¥ 3,084

(2) Measurement of credit risk on lease receivables

The Company provides finance leases mainly in Thailand. These lease receivables relate to the Company's products, such as farm equipment, etc., leased to individual and corporate endusers. These lease receivables are recorded at the aggregate of minimum lease payments receivable plus the estimated residual value of the leased property, less unearned finance income and an allowance for doubtful accounts.

The Company always measures an allowance for doubtful accounts for lease receivables at an amount equal to the lifetime expected credit losses. The Company measures the expected credit losses on lease receivables in a group mainly based on locations and past due days, considering historical credit loss experience and trends of consumer price index. The Company also measures the expected credit losses on credit-impaired financial assets individually. The Company determines whether lease receivables are credit-impaired based on observable events, such as long-term past due and the debtor's bankruptcy, etc. The Company does not regard past due lease receivables as credit-impaired financial assets when the Company determines that the past due resulted from a temporary shortage in funds of the debtor, risk of default is considered low, and the debtor has a strong capacity to meet its contractual cash flow obligation in the near term. The Company held ¥2,047 million of its products as of December 31, 2018, for credit enhancements on credit-impaired financial assets.

The following table presents balances of carrying amounts of lease receivables (before an allowance for doubtful accounts) by risk classification:

(Unit: millions of yen)

December 31, 2018:	Financial assets for which an allowance for doubtful accounts is always measured at an amount equal to the lifetime expected credit losses	Credit-impaired financial assets	Total
Lease receivables	¥ 224,696	¥ 16,734	¥ 241,430

The following table presents an aging analysis of past due lease receivables:

(Unit: millions of yen)

December 31, 2018:	Within 30 days past due	From 31 to 60 days past due	From 61 to 90 days past due	Longer than 90 days past due	Total past due	Current	Total
Lease receivables	¥ 8,497	¥ 3,950	¥ 2,618	¥ 12,741	¥ 27,806	¥ 213,624	¥ 241,430

The following table presents a reconciliation of the allowance for doubtful accounts for the above receivables:

(Unit: millions of yen)

Year ended December 31, 2018:	Financial assets for which an allowance for doubtful accounts is always measured at an amount equal to the lifetime expected credit losses	Credit-impaired financial assets	Total
Balance at the beginning of the year	¥ 5,753	¥ 14,813	¥ 20,566
Remeasurement	1,407	69	1,476
Write-off	(2,649)	(48)	(2,697)
Other	(129)	(147)	(276)
Balance at the end of the year	¥ 4,382	¥ 14,687	¥ 19,069

(3) Measurement of credit risk of retail finance receivables

The Company provides retail finance to customers who purchase the Company's products, such as farm equipment, etc., from dealers mainly in North America. Retail finance receivables are purchased under agreements between the Company and dealers in relation to the products offered to individual and corporate endusers. These receivables are recorded at amortized cost, less any allowance for credit losses.

The Company measures an allowance for doubtful accounts for retail finance receivables at an amount equal to 12-month expected credit losses when the credit risk on these receivables at the end of the reporting period has not significantly increased since initial recognition, and at an amount equal to life-time expected credit losses when the credit risk on these receivables at the end of the reporting period has significantly increased since initial recognition.

When the credit risk on these receivables at the end of the reporting period has not increased significantly since initial recognition, the Company measures the 12-month expected credit losses in a group mainly based on past due days, considering historical credit loss experience, current conditions, and forecasts of future economic conditions.

When the credit risk has increased significantly since initial recognition, the Company measures an allowance for doubtful accounts for retail finance receivables at an amount equal to the lifetime expected credit losses, considering historical credit loss experience, current conditions, forecasts of future economic conditions, and recoverable amounts from repossession of products sold or leased. The Company determines whether retail finance receivables are credit-impaired financial assets mainly based on past due information over a certain period and objective evidence, such as the debtor's bankruptcy. The Company held ¥1,587 million of its products as of December 31, 2018, for credit enhancements on credit-impaired financial assets.

The following table presents balances of carrying amounts of retail finance receivables (before an allowance for doubtful accounts) by risk classification:

(Unit: millions of yen)

December 31, 2018:	Financial assets for which an allowance for doubtful accounts is measured at an amount equal to 12-month expected credit losses	Financial assets for which an allowance for doubtful accounts is measured at an amount equal to the lifetime expected credit losses		Total
		Financial assets on which credit risk increased significantly since initial recognition, but that are not credit-impaired	Credit-impaired financial assets	
Retail finance receivables	¥ 665,883	¥ 1,077	¥ 1,807	¥ 668,767

The following table presents an aging analysis of past due retail finance receivables as of December 31, 2018:

(Unit: millions of yen)

December 31, 2018:	Within 30 days past due	From 31 to 60 days past due	From 61 to 90 days past due	Longer than 90 days past due	Total past due	Current	Total
Retail finance receivables	¥ 38,433	¥ 3,542	¥ 701	¥ 1,279	¥ 43,955	¥ 624,812	¥ 668,767

The following table presents a reconciliation of an allowance for doubtful accounts for the above receivables:

(Unit: millions of yen)

Year ended December 31, 2018:	Financial assets for which an allowance for doubtful accounts is measured at an amount equal to 12-month expected credit losses	Financial assets for which an allowance for doubtful accounts is measured at an amount equal to the lifetime expected credit losses		Total
		Financial assets on which credit risk increased significantly since initial recognition, but that are not credit-impaired	Credit-impaired financial assets	
Balance at the beginning of the year	¥ 1,058	¥ 234	¥ 141	¥ 1,433
Remeasurement	487	8	875	1,370
Write-off	(33)	(3)	(860)	(896)
Other	7	2	64	73
Balance at the end of the year	¥ 1,519	¥ 241	¥ 220	¥ 1,980

Liquidity Risk

The Company is exposed to liquidity risk that the Company may have difficulties in satisfying payment obligations. The Company manages liquidity risk by maintaining retained earnings at an appropriate level and monitoring cash flow plans and actual results. As of December 31, 2018, the Company established committed lines of credit with five Japanese banks on an annual basis. The aggregated amount of these lines at December 31, 2018 and 2017, and January 1, 2017, was ¥20,000 million, and the Company did not use these lines at any time.

The following table presents financial liabilities by due date:

(Unit: millions of yen)

December 31, 2018:	Carrying amount	Contractual cash flows	Within 1 year	From 1 to 5 years	More than 5 years
Trade payables	¥ 306,759	¥ 306,759	¥ 306,759	¥ —	¥ —
Other financial liabilities	59,187	59,202	55,885	3,316	1
Bonds and borrowings	839,265	866,625	360,751	505,874	—
Derivative liabilities	2,942	2,942	1,519	1,423	—

(Unit: millions of yen)

December 31, 2017:	Carrying amount	Contractual cash flows	Within 1 year	From 1 to 5 years	More than 5 years
Trade payables	¥ 286,121	¥ 286,121	¥ 286,121	¥ —	¥ —
Other financial liabilities	39,525	39,558	37,718	1,075	765
Bonds and borrowings	834,101	854,869	372,501	452,356	30,012
Derivative liabilities	3,657	3,657	1,845	1,812	—

(Unit: millions of yen)

January 1, 2017 (Transition date):	Carrying amount	Contractual cash flows	Within 1 year	From 1 to 5 years	More than 5 years
Trade payables	¥ 255,859	¥ 255,859	¥ 255,859	¥ —	¥ —
Other financial liabilities	41,888	41,927	39,998	1,335	594
Bonds and borrowings	815,359	830,539	345,635	453,592	31,312
Derivative liabilities	5,179	5,179	5,154	25	—

Market Risk

(1) Foreign currency exchange rate risks

The Company's exposure to foreign currency risk relates primarily to assets and liabilities denominated in foreign currencies associated with international operations. The Company enters into forward foreign exchange contracts, cross-currency swap contracts, and cross-currency interest rate swap contracts, which are designated to mitigate its exposure to foreign currency exchange rate risk.

For financial instruments denominated in foreign currencies held by the Company as of each reporting date, if the Japanese yen appreciates by 1% against the currencies in the following table, impacts to profit before income taxes in the consolidated statement of profit or loss are stated in the table below.

The table below does not include impacts of translating financial instruments denominated in Japanese yen and assets, liabilities, income, and expenses of foreign operations into Japanese yen. In addition, currencies other than those stated in the following table are assumed to remain unchanged.

(Unit: millions of yen)

	December 31, 2018	December 31, 2017
US dollar	¥ (528)	¥ (403)
Euro	(228)	(162)
Thai baht	(2)	(50)
Chinese yuan	(77)	(78)

(2) Interest rate risk

The Company is exposed to interest rate risk mainly inherent in its debt obligations with both fixed and variable rates. In order to hedge interest rate risk, the Company enters into interest rate swap contracts and cross-currency interest rate swap contracts to manage the risk of its fixed and variable interest rate exposures, and therefore, the exposure to interest rate risk is not material to the Company's cash flows.

Derivative and Hedge Accounting

(1) December 31, 2018

As stated in Note 3. SIGNIFICANT ACCOUNTING POLICIES, Financial Instruments, (3) Derivatives and hedge accounting, hedge accounting was not applied to derivatives.

(2) December 31, 2017, and January 1, 2017

In accordance with exemptions from the retrospective application of IFRS 9 stipulated in IFRS 1, the Company applied U.S. GAAP to the comparative information.

The Company uses derivatives, such as forward foreign exchange contracts and cross-currency swap contracts, to mitigate foreign currency risk and interest rate risk. These derivatives are measured at fair value and presented on a gross basis in the consolidated statement of financial position. The Company classifies them as derivatives that are not designated in hedge accounting relationships since they did not meet requirements for hedge accounting. Changes in the fair value of these derivatives are recognized in profit or loss immediately.

Fair Value of Financial Instruments

(1) Financial instruments measured at fair value

The following table presents fair values of financial instruments measured at fair value:

In accordance with exemptions from the retrospective application of IFRS 9 stipulated in IFRS 1, the Company applied U.S. GAAP to the information as of December 31 and January 1, 2017.

(Unit: millions of yen)

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at fair value through other comprehensive income:				
Debt financial assets	¥ 15,723	¥ —	¥ —	¥ 15,723
Equity financial assets	108,484	—	3,025	111,509
Financial assets measured at fair value through profit or loss:				
Derivatives:				
Foreign exchange contracts	—	1,171	—	1,171
Interest rate swap contracts	—	55	—	55
Cross-currency interest rate swap contracts	—	12	—	12
Total	¥ 124,207	¥ 1,238	¥ 3,025	¥ 128,470
Financial liabilities:				
Financial liabilities measured at fair value through profit or loss:				
Derivatives:				
Foreign exchange contracts	¥ —	¥ 96	¥ —	¥ 96
Interest swap contracts	—	422	—	422
Cross-currency interest rate swap contracts	—	2,424	—	2,424
Total	¥ —	¥ 2,942	¥ —	¥ 2,942

(Unit: millions of yen)

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Available-for-sale securities:				
Equity securities of financial instruments	¥ 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 swap contracts	—	419	—	419
Cross-currency interest rate swap contracts	—	2,663	—	2,663
Total	¥ —	¥ 3,657	¥ —	¥ 3,657

(Unit: millions of yen)

	January 1, 2017 (Transition date)			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Available-for-sale securities:				
Equity securities of financial instruments	¥ 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 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 in Level 1 are measured at fair value using quoted prices for identical assets in active markets.

Derivatives are classified in Level 2 since they are measured at fair value using observable market inputs obtained from major international financial institutions.

Equity financial assets classified in Level 3 are unlisted equity securities and measured at fair value using methods such as the comparable company comparison method with the earnings before interest and tax ("EBIT") ratio (from 0.1 to 26.0), etc. As the EBIT ratio increases (decreases), the fair values on those equity financial assets increase (decrease).

Transfers between levels are recognized at the end of the reporting periods when such transfers occurred. There were no significant transfers of financial instruments between the levels for the year ended December 31, 2018.

The following table presents reconciliation of financial instruments classified in Level 3:

(Unit: millions of yen)

Year ended December 31:	2018
Balance at the beginning of the year	¥ 8,123
Gains or losses*	(4,422)
Purchases	22
Sales	(698)
Balance at the end of the year	¥ 3,025

(Note)

* Gains or losses are those related to unlisted equity securities held as of December 31, 2018, and included in net changes in fair value of financial assets measured at fair value through other comprehensive income in the consolidated statement of comprehensive income.

(2) Financial instruments measured at amortized cost

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

(Unit: millions of yen)

	December 31, 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	¥ 666,787	¥ 640,184	¥ 628,115	¥ 613,327	¥ 559,066	¥ 550,357
Finance lease receivables	222,361	251,150	182,048	212,275	163,303	191,393
Long-term trade accounts receivable	67,547	72,625	69,127	74,336	69,174	74,366
Bonds and borrowings	839,265	829,736	834,101	822,241	815,359	806,336

The fair value of finance receivables, long-term trade accounts receivable, and bonds and borrowings is stated at the present value of future cash flows discounted by the current market rate and classified as Level 2. Long-term trade accounts receivable in the above table includes the current portion, which is included in trade receivables in the consolidated statement of financial position.

The carrying amounts of cash and cash equivalents, trade receivables (excluding the current portion of long-term trade accounts receivable), other financial assets (excluding debt financial assets measured at fair value, equity financial assets, and derivatives), trade payables, and other financial liabilities (excluding derivatives) approximate their fair values because of the short maturity of those instruments. The fair value measurements of these assets and liabilities are classified as Level 2, except for cash and cash equivalents, which are classified as Level 1.

Offsetting Financial Assets and Liabilities

The amount of financial assets and liabilities not offset but subject to enforceable master netting agreements or similar agreements because they do not satisfy part or all of requirements for offsetting of financial assets and financial liabilities was not material.

28. MAJOR SUBSIDIARIES

Major Subsidiaries

The Company’s major subsidiaries are stated in 1. Overview of the Company, 4. Information on Affiliates.

Subsidiary with Material Noncontrolling Interests

The condensed financial statements of the subsidiary with material noncontrolling interests, SIAM KUBOTA Corporation Co., Ltd., located in Thailand were as follows:

(Unit: millions of yen)

	December 31, 2018	December 31, 2017	January 1, 2017 (Transition date)
Shareholding ratio of noncontrolling interests	40.0%	40.0%	40.0%

(Unit: millions of yen)

	December 31, 2018	December 31,2017	January 1, 2017 (Transition date)
Current assets	¥ 122,447	¥ 114,500	¥ 109,031
Noncurrent assets	32,063	31,771	29,749
Current liabilities	35,732	33,337	35,099
Noncurrent liabilities	1,841	1,730	1,467
Equity	116,937	111,204	102,214
Cumulative amount of noncontrolling interests	47,942	44,708	40,356

(Unit: millions of yen)

Years ended December 31:	2018	2017
Revenue	¥ 171,365	¥ 156,760
Profit for the year	14,490	11,820
Comprehensive income for the year	14,490	11,820
Profit attributable to noncontrolling interests	5,826	4,575
Dividends paid to noncontrolling interests	3,011	3,599

29. RELATED-PARTY TRANSACTIONS

The aggregate compensation paid by the Parent Company for the year ended December 31, 2018, to the Directors, including the Outside Directors, was as follows:

(Unit: millions of yen)

Years ended December 31:		2018		2017
Remunerations and bonuses	¥	651	¥	612
Restricted stock compensation		66		45
Total	¥	717	¥	657

30. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments

Commitments for acquisition of property, plant, and equipment were ¥19,057 million, ¥9,763 million, and ¥3,189 million at December 31, 2018 and 2017, and January 1, 2017, respectively. Commitments for acquisition of intangible assets were ¥861 million, ¥758 million, and ¥95 million, respectively.

Commitment for acquisition of property, plant, and equipment at December 31, 2018, was mainly for acquiring land to be used for a new R&D base in Sakai Plant. Commitment for acquisition of property, plant, and equipment at December 31, 2017, was mainly for building a new office and facility in Hirakata Plant.

Guarantees

The Company is contingently liable as guarantor of the indebtedness of distributors, including associates and customers, for their borrowings from financial institutions. The Company would have to perform under these guarantees in the event of default on a payment within the guarantee periods of one to four years. The maximum potential amounts of undiscounted future payments of these financial guarantees were ¥14,753 million, ¥15,429 million, and ¥11,703 million at December 31, 2018 and 2017, and January 1, 2017, respectively. The fair values of these financial guarantees were not material, and the probability of incurrence of a loss is remote.

Legal Proceedings

Since May 2007, the Company has been subject to 31 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 31 lawsuits aggregate to ¥27,252 million, which relate to 709 construction workers who suffered from asbestos-related diseases.

Among 31 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 31 lawsuits.

Matters Related to the Health Hazards of Asbestos

Until 1995, the Company's plant in Amagasaki, Hyogo Prefecture, Japan, had previously produced asbestos-related products, although the Company had other plants which also produced asbestos-related products and completely ceased such production by 2001. The Company decided to make voluntary consolation payments to certain residents in June 2005 and established a relief payment program in place of the 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 Japanese government established the Law for the Relief of Patients Suffering from Asbestos-Related Diseases (the "New Asbestos Law") in March 2006. This law was enacted for the purpose of promptly providing relief to the people suffering from asbestos-related diseases who are not eligible for relief by compensation from insurance in accordance with the Workers' Accident Compensation Insurance Law (the "Insurance"). The relief aid payments are contributed by the national government, municipal governments, and business entities. 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, current and former employees, and the special contribution in accordance with the New Asbestos Law. The accrued balances for those expenses are ¥113 million, ¥72 million, and ¥177 million at December 31, 2018 and 2017, and January 1, 2017, respectively. The asbestos-related expenses recognized for the years ended December 31, 2018 and 2017, were ¥707 million and ¥791 million, respectively.

31. SUBSEQUENT EVENTS

Not applicable.

32. DISCLOSURE OF TRANSITION TO IFRS

The condensed consolidated financial statements have been 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 (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* ("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 rate 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 adopting IFRS from years beginning before January 1, 2019, that choose to apply IFRS 9 to not restate the comparative information in its first IFRS financial statements 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 or comprehensive income, while *Recognition and measurement* includes items that affect retained earnings or comprehensive income.

(1) Reconciliation of equity as of January 1, 2017 (Transition date)

(Unit: millions of yen)

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	¥ 169,416			¥ 169,416		Cash and cash equivalents
Notes and accounts receivable:						
Trade notes	75,798					
Trade accounts	559,488					
Less: Allowance for doubtful notes and accounts receivable	(2,472)					
Net notes and accounts receivable	632,814	¥ (9,404)		623,410		Trade receivables
Short-term finance receivables—net	244,184	(13,259)		230,925	A	Finance receivables
		63,710		63,710	A	Other financial assets
Inventories	356,180		¥ (3,582)	352,598	F	Inventories
		17,325		17,325		Income taxes receivable
Other current assets	160,480	(113,611)	5,545	52,414	A, F	Other current assets
Total current assets	1,563,074	(55,239)	1,963	1,509,798		Total current assets
Investments and long-term finance receivables:						**Noncurrent assets:**
Investments in and loans receivable from affiliated companies	28,517	(12)		28,505		Investments accounted for using the equity method
Other investments	140,667	(140,667)				
Long-term finance receivables—net	508,289	(16,845)		491,444	A	Finance receivables
Total investments and long-term finance receivables	677,473					
		184,854		184,854	A	Other financial assets
Property, plant, and equipment:						
Land	82,104					
Buildings	292,898					
Machinery and equipment	491,040					
Construction in progress	17,378					
Total property, plant, and equipment	883,420					
Less: Accumulated depreciation	(569,189)					
Net property, plant, and equipment	314,231	(12,526)	161	301,866	C	Property, plant, and equipment
Other assets:						
Goodwill and intangible assets—net	46,057	(2,612)	(3,105)	40,340	B, C	Goodwill and intangible assets
Long-term trade accounts receivable	39,852	(39,852)				
		43,387	7,311	50,698	A, G	Deferred tax assets
Other	30,658	(4,383)		26,275	D	Other noncurrent assets
Less: Allowance for doubtful non-current receivables	(763)	763				
Total other assets	115,804					
				1,123,982		Total noncurrent assets
Total assets	¥ 2,670,582	¥ (43,132)	¥ 6,330	¥ 2,633,780		**Total assets**

(Unit: millions of yen)

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	¥ 193,883	¥ 144,605		¥ 338,488		Bonds and borrowings
Trade notes payable	157,471	98,388		255,859		Trade payables
Trade accounts payable	98,388	(98,388)				
Advances received from customers	6,927	(6,927)				
Notes and accounts payable for capital expenditures	24,321	(24,321)				
Accrued payroll costs	35,902	(35,902)				
Accrued expenses	64,662	(64,662)				
		45,163	¥ (15)	45,148	A	Other financial liabilities
Income taxes payable	19,650			19,650		Income taxes payable
		17,387		17,387		Provisions
Other current liabilities	90,197	61,220	6,455	157,872	F	Other current liabilities
Current portion of long-term debt	145,212	(145,212)				
Total current liabilities	836,613	(8,649)	6,440	834,404		Total current liabilities
Long-term liabilities:						**Noncurrent liabilities:**
Long-term debt	478,894	(2,023)		476,871		Bonds and borrowings
		2,048	(129)	1,919	A	Other financial liabilities
Accrued retirement and pension costs	12,091			12,091	D	Retirement benefit liabilities
		31,983	3,878	35,861	A, G	Deferred tax liabilities
Other long-term liabilities	71,059	(66,491)	992	5,560		Other noncurrent liabilities
Total long-term liabilities	562,044	(34,483)	4,741	532,302		Total noncurrent liabilities
				1,366,706		**Total liabilities**
Equity:						**Equity:**
Kubota Corporation shareholders' equity:						Equity attributable to owners of the parent:
Common stock	84,070			84,070		Share capital
Capital surplus	84,605			84,605		Share premium
Legal reserve	19,539	(19,539)				
Retained earnings	961,403	19,539	(26,123)	954,819	H	Retained earnings
Accumulated other comprehensive income	49,336		21,127	70,463	D, E, G	Other components of equity
Treasury stock, at cost	(192)			(192)		Treasury shares
Total Kubota Corporation shareholders' equity	1,198,761	—	(4,996)	1,193,765		Total equity attributable to owners of the parent
Non-controlling interests	73,164		145	73,309		Noncontrolling interests
Total equity	1,271,925	—	(4,851)	1,267,074		**Total equity**
Total liabilities and equity	¥ 2,670,582	¥ (43,132)	¥ 6,330	¥ 2,633,780		**Total liabilities and equity**

(2) Reconciliation of equity as of December 31, 2017

(Unit: millions of yen)

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	¥ 230,720			¥ 230,720		Cash and cash equivalents
Notes and accounts receivable:						
Trade notes	77,618					
Trade accounts	573,337					
Less: Allowance for doubtful notes and accounts receivable	(2,792)					
Net notes and accounts receivable	648,163	¥ (9,080)		639,083		Trade receivables
Short-term finance receivables—net	264,748	(14,064)		250,684	A	Finance receivables
		51,515		51,515	A	Other financial assets
Inventories	362,518		¥ (3,664)	358,854	F	Inventories
		20,787		20,787		Income taxes receivable
Other current assets	109,375	(57,665)	5,073	56,783	A, F	Other current assets
Total current assets	1,615,524	(8,507)	1,409	1,608,426		Total current assets
Investments and long-term finance receivables:						**Noncurrent assets:**
Investments in and loans receivable from affiliated companies	29,362	(30)	1	29,333		Investments accounted for using the equity method
Other investments	145,683	(145,683)				
Long-term finance receivables—net	578,185	(18,706)		559,479	A	Finance receivables
Total investments and long-term finance receivables	753,230					
		188,738		188,738	A	Other financial assets
Property, plant, and equipment:						
Land	89,884					
Buildings	313,303					
Machinery and equipment	506,828					
Construction in progress	9,229					
Total property, plant, and equipment	919,244					
Less: Accumulated depreciation	(585,007)					
Net property, plant, and equipment	334,237	(11,550)	(946)	321,741	C	Property, plant, and equipment
Other assets:						
Goodwill and intangible assets—net	47,804	(2,634)	1,813	46,983	B, C	Goodwill and intangible assets
Long-term trade accounts receivable	40,423	(40,423)				
		39,006	9,981	48,987	G	Deferred tax assets
Other	63,609	(28,321)	(6,611)	28,677	D	Other noncurrent assets
Less: Allowance for doubtful non-current receivables	(897)	897				
Total other assets	150,939					
				1,223,938		Total noncurrent assets
Total assets	¥ 2,853,930	¥ (27,213)	¥ 5,647	¥ 2,832,364		**Total assets**

(Unit: millions of yen)

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	¥ 182,461	¥ 181,027		¥ 363,488		Bonds and borrowings
Trade notes payable	176,987	109,134		286,121		Trade payables
Trade accounts payable	109,134	(109,134)				
Advances received from customers	9,075	(9,075)				
Notes and accounts payable for capital expenditures	17,852	(17,852)				
Accrued payroll costs	37,657	(37,657)				
Accrued expenses	67,003	(67,003)				
		39,561		39,561	A	Other financial liabilities
Income taxes payable	37,221			37,221		Income taxes payable
		21,213		21,213		Provisions
Other current liabilities	99,984	62,977	¥ 6,888	169,849	F	Other current liabilities
Current portion of long-term debt	181,698	(181,698)				
Total current liabilities	919,072	(8,507)	6,888	917,453		Total current liabilities
Long-term liabilities:						**Noncurrent liabilities:**
Long-term debt	472,422	(1,809)		470,613		Bonds and borrowings
		3,621		3,621	A	Other financial liabilities
Accrued retirement and pension costs	12,804		139	12,943	D	Retirement benefit liabilities
		33,680	7,495	41,175	G	Deferred tax liabilities
Other long-term liabilities	64,197	(54,198)	992	10,991		Other noncurrent liabilities
Total long-term liabilities	549,423	(18,706)	8,626	539,343		Total noncurrent liabilities
				1,456,796		**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	85,037			85,037		Share premium
Legal reserve	19,539	(19,539)				
Retained earnings	1,046,237	19,539	(25,569)	1,040,207	H	Retained earnings
Accumulated other comprehensive income	66,606		15,318	81,924	D, E, G	Other components of equity
Treasury stock, at cost	(174)			(174)		Treasury shares
Total Kubota Corporation shareholders' equity	1,301,345	—	(10,251)	1,291,094		Total equity attributable to owners of the parent
Non-controlling interests	84,090		384	84,474		Noncontrolling interests
Total equity	1,385,435	—	(9,867)	1,375,568		**Total equity**
Total liabilities and equity	¥ 2,853,930	¥ (27,213)	¥ 5,647	¥ 2,832,364		**Total liabilities and equity**

(3) Reconciliation of comprehensive income for the year ended December 31, 2017

(Unit: millions of yen)

Presentation under U.S. GAAP	U.S. GAAP	Reclassification	Recognition and measurement	IFRS	Note	Presentation under IFRS
Revenues	¥ 1,751,535		¥ (497)	¥ 1,751,038	F	**Revenue**
Cost of revenues	(1,240,707)		2,154	(1,238,553)	B, D, F	**Cost of sales**
Selling, general, and administrative expenses	(311,737)	¥ (1,270)	(188)	(313,195)	D	**Selling, general, and administrative expenses**
Other operating expenses—net	(265)	265				
		2,518	(363)	2,155		**Other income**
		(1,493)		(1,493)		**Other expenses**
Operating income	198,826	20	1,106	199,952		**Operating profit**
Other income (expenses):						
Interest and dividend income	7,383					
Interest expense	(916)					
Gain on sales of securities—net	8,403					
Foreign exchange gain—net	8,112					
Other—net	(8,907)					
Other income (expenses)—net	14,075	(14,075)				
		24,245		24,245		**Finance income**
		(10,190)		(10,190)		**Finance costs**
Income before income taxes and equity in net income of affiliated companies	212,901	—	1,106	214,007		**Profit before income taxes**
Income taxes:						
Current	(69,856)					
Deferred	(66)					
Total income taxes	(69,922)		(3,255)	(73,177)	G	**Income tax expenses**
Equity in net income of affiliated companies	2,366		103	2,469		**Share of profits of investments accounted for using the equity method**
Net income	¥ 145,345	¥ —	¥ (2,046)	¥ 143,299		**Profit for the year**
						Profit attributable to:
Net income attributable to Kubota Corporation	¥ 136,445	¥ —	¥ (2,285)	¥ 134,160		**Owners of the parent**
Net income attributable to non-controlling interests	8,900	—	239	9,139		**Noncontrolling interests**

(Unit: millions of yen)

Presentation under U.S. GAAP	U.S. GAAP	Reclassification	Recognition and measurement	IFRS	Note	Presentation under IFRS
Net income	¥ 145,345	¥ —	¥ (2,046)	¥ 143,299		**Profit for the year**
Other comprehensive income (loss), net of tax:						**Other comprehensive income, net of income tax**
						Items that will not be reclassified subsequently to profit or loss
Pension liability adjustments	6,102		(3,251)	2,851	D	Remeasurement of defined benefit pension plans
						Items that may be reclassified subsequently to profit or loss
Foreign currency translation adjustments	9,099		281	9,380		Exchange rate differences on translating foreign operations
Unrealized gains on securities	5,895			5,895		Unrealized gains on securities
Total other comprehensive income	21,096	—	(2,970)	18,126		Total other comprehensive income, net of income tax
Comprehensive income	¥ 166,441	¥ —	¥ (5,016)	¥ 161,425		**Comprehensive income for the year**

						Comprehensive income attributable to:
Comprehensive income attributable to Kubota Corporation	¥ 153,715	¥ —	¥ (5,255)	¥ 148,460		**Owners of the parent**
Comprehensive income attributable to non-controlling interests	12,726	—	239	12,965		**Noncontrolling 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 operations in liabilities and recorded finance receivables including those amounts in assets.

Under IFRS, the preferential interest equivalents are considered 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 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 other financial assets under IFRS. Notes and accounts payable for capital expenditures, which were separately stated under U.S. GAAP, and derivatives, which were included in other current liabilities and other long-term liabilities under U.S. GAAP, are all included in other 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 construction in process, were included in trade accounts receivable.

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.

(4) Presentation of deferred tax assets and liabilities

The Company adopted a new accounting standard under U.S. GAAP which required deferred tax assets and liabilities to be classified as noncurrent on January 1, 2017. However, the financial statements as of the transition date were prepared under U.S. GAAP without the adoption of this standard by using the information as of December 31, 2016. For this reason, on the transition date, deferred tax assets and liabilities were presented separately as current and noncurrent and included in other current assets, other assets—other, other current liabilities, and other long-term liabilities under U.S. GAAP.

Under IFRS, deferred tax assets and liabilities were all presented as noncurrent.

There was no difference between U.S. GAAP and IFRS in terms of presentation on the financial statements as of December 31, 2017.

B. Capitalization of development expenses

Under U.S. GAAP, expenditures related to research and development are expensed as incurred.

Under IFRS, certain development expenditures 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, the difference is recognized as impairment loss of goodwill.

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 to which each cash-generating unit belongs, as well as 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 largely used).

D. Postemployment benefits

Under U.S. GAAP, postemployment benefits 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 income 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.

Under IFRS, postemployment benefits 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 liabilities and assets by the discount rate is recognized as net interest expense 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 future contributions to the plan.

As a result, other components of equity increased by ¥916 million at January 1, 2017. At December 31, 2017, other components of equity and other noncurrent assets decreased by ¥2,331 million and ¥6,611 million, respectively, and retirement benefit liabilities increased by ¥139 million. Cost of sales and selling, general, and administrative expenses increased by ¥1,727 million and ¥660 million, respectively, for the year ended December 31, 2017.

Remeasurements of the net defined liability and asset are recognized at the amount net of income 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 ¥25,308 million and ¥22,469 million at January 1 and December 31, 2017, respectively.

E. Exchange rate 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 and ¥25,646 million at January 1 and December 31, 2017, respectively.

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 time when the Company recognizes and measures related revenue, and the time when related incentive programs are provided to the customers.

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 increased by ¥6,455 million and ¥6,366 million at January 1 and December 31, 2017, respectively. Revenue decreased by ¥77 million for the year ended December 31, 2017.

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

Under IFRS, as stated in Note 3. SIGNIFICANT ACCOUNTING POLICIES, Revenue Recognition, revenue from construction contracts is considered to be transferred control of promised assets over time, and 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 ¥5,580 million and ¥5,160 million at January 1 and December 31, 2017, respectively. Inventories decreased by ¥3,582 million and ¥3,791 million at January 1 and December 31, 2017, respectively. Revenue decreased by ¥420 million, and cost of sales increased by ¥209 million for the year ended

December 31, 2017.

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.

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 components of equity increased by ¥20,912 million both at January 1 and December 31, 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.

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 decreased by ¥318 million and ¥1,908 million at January 1 and December 31, 2017, respectively. Income tax expenses increased by ¥1,590 million for the year ended December 31, 2017.

H. Retained earnings

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

(Unit: millions of yen)

	December 31, 2017	**January 1, 2017 (Transition date)**
Capitalization of development expenditures	¥ 5,336	¥ 2,059
Impairment of goodwill	(4,639)	(4,639)
Postemployment benefits	(24,950)	(26,224)
Exchange rate differences on translating foreign operations	25,646	26,009
Revenue recognition	(3,935)	(2,343)
Income tax expenses	(23,213)	(21,375)
Others	186	390
Effect of the transition on retained earnings	¥ (25,569)	¥ (26,123)

Notes to Reconciliation of Consolidated Statement of Cash Flows 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 IFRS.

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.

33. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved on March 22, 2019, by Masatoshi Kimata, President and Representative Director of the Parent Company, and Masato Yoshikawa, Director and Senior Managing Executive Officer, General Manager of Planning & Control Headquarters of the Parent Company.

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

NOTE TO READERS: The following is an English translation of the Independent Auditor's Report filed under the Financial Instruments and Exchange Act of Japan. This report is presented merely as supplemental information.

March 22, 2019

To the Board of Directors of
Kubota Corporation:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Koichiro Tsukuda

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Akihiro Okada

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Takeshi Io

Audit of Financial Statements

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements included in the Financial Section, namely, consolidated statement of financial position, and the related consolidated statement of profit or loss, comprehensive income, changes in equity and cash flows of Kubota Corporation (the "Company") and its consolidated subsidiaries for the fiscal year from January 1, 2018 to December 31, 2018, and a summary of significant accounting policies and other explanatory information, and consolidated supplementary schedules.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kubota Corporation and its consolidated subsidiaries as of December 31, 2018, and the results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Audit of Internal Control

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management’s report on internal control over financial reporting of Kubota Corporation and its consolidated subsidiaries as of December 31, 2018.

Management’s Responsibility for the Report on Internal Control

Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor’s Responsibility

Our responsibility is to express an opinion on management’s report on internal control based on our internal control audit. We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether management’s report on internal control is free from material misstatement.

An internal control audit involves performing procedures to obtain audit evidence about the results of the assessment of internal control over financial reporting in management’s report on internal control. The procedures selected depend on the auditor’s judgment, including the significance of effects on reliability of financial reporting. An internal control audit includes examining representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management’s report on internal control.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, management’s report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of Kubota Corporation and its consolidated subsidiaries as of December 31, 2018 is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

COVER

[Document Filed]	Confirmation Letter
[Applicable Law]	Article 24-4-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed to]	Director, Kanto Local Finance Bureau
[Filing Date]	March 22, 2019
[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]	Masato Yoshikawa, 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 Annual Securities Report

Masatoshi Kimata, President and Representative Director, and Masato Yoshikawa, Director and Senior Managing Executive Officer, General Manager of Planning & Control Headquarters, confirmed that statements contained in the Annual Securities Report for the 129th fiscal year (from January 1, 2018 to December 31, 2018) were adequate under the Financial Instruments and Exchange Act of Japan.

2. Special Notes

Not applicable.

COVER

[Document Filed]	Internal Control Report
[Applicable Law]	Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed to]	Director, Kanto Local Finance Bureau
[Filing Date]	March 22, 2019
[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]	Masato Yoshikawa, 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)

(TRANSLATION)

Management's Report on Internal Control over Financial Reporting

NOTE TO READERS
The following in an English translation of management's report on internal control over financial reporting filed under the Financial Instruments and Exchange Act of Japan. This report is presented merely as supplemental information.

1. Matters Relating to the Basic Framework for Internal Control over Financial Reporting

Masatoshi Kimata, President and Representative Director, and Masato Yoshikawa, Director and Senior Managing Executive Officer, General Manager of Planning & Control Headquarters, are responsible for designing and operating effective internal control over financial reporting of Kubota Corporation and its subsidiaries (collectively, the "Company"), and have designed and operated internal control over financial reporting of the consolidated financial statements in accordance with the basic framework for internal control set forth in "The Standards and Practice Standards for Management Assessment and Audit of Internal Control Over Financial Reporting" published by the Business Accounting Council.

The internal control is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

2. Matters Relating to Scope of Assessment, the Assessment Date, and Assessment Procedures

The assessment of internal control over financial reporting was performed as of December 31, 2018, which is the end of this fiscal year. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In conducting this assessment, we evaluated internal controls which may have a material effect on the entire financial reporting in a consolidation ("company-level controls") and based on the result of this assessment, we appropriately selected business processes to be tested. We analyzed these selected business processes, identified key controls that may have a material impact on the reliability of the Company's financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of the Company's internal control.

We determined the required scope of assessment of internal control over financial reporting for Kubota Corporation, as well as its subsidiaries and affiliated companies, from the perspective of materiality that may affect the reliability of our financial reporting. This materiality that may affect the reliability of financial reporting is determined taking into account the materiality of quantitative and qualitative impacts. We confirmed that we had reasonably determined the scope of assessment of internal controls over business processes in light of the results of assessment of company-level controls conducted for Kubota Corporation, as well as its subsidiaries and affiliated companies. We did not include those subsidiaries and affiliated companies which do not have any quantitatively or qualitatively material impact on the consolidated financial statements in the scope of assessment of company-level controls.

Regarding the scope of assessment of internal control over business processes, we selected business units to be tested, and the business units whose combined revenues (after elimination of intercompany transfers) reached approximately two-thirds of total consolidated revenues for the prior fiscal year were selected as "significant business units."

At the selected significant business units, we included, in the scope of assessment, those business processes leading to revenue, accounts receivable, finance receivables, and inventories as significant accounts that may have a material impact on the business objectives of the Company. Further, we added certain business processes included in business units other than the significant business units to our scope of assessment, as the business processes have greater materiality considering their impact on the financial reporting, those business processes relating to a greater likelihood of material misstatements and significant accounts involving estimates and management's judgment, and those business processes relating to businesses or operations dealing with high-risk transactions.

3. Matters Related to the Results of the Assessment

As a result of the preceding assessment, we concluded that our internal control over financial reporting was effective as of December 31, 2018.

4. Supplementary Matters

Not applicable.

5. Special Information

Not applicable.