[Translation]

Quarterly Report

(The Second Quarter of the 129th Business Term)
From April 1, 2018 to June 30, 2018

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

Kubota Corporation

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[Document Filed]	Quarterly Report ("Shihanki Hokokusho")
[Applicable Law]	Article 24-4-7, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed to]	Director, Kanto Local Finance Bureau
[Filing Date]	August 10, 2018
[Fiscal Year]	The Second Quarter of the 129th Business Term (from April 1, 2018 to June 30, 2018)
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[Company Name in English]	Kubota Corporation
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This is an English translation of the Quarterly Report filed with the Director of the Kanto Local Finance Bureau via Electronic Disclosure for Investors' NETwork ("EDINET") pursuant to the Financial Instruments and Exchange Act of Japan.

The translation of the Confirmation Letter for the original Quarterly Report is included at the end of this document.

For the purposes of this Quarterly Report, the "Company" refers to Kubota Corporation and its subsidiaries unless context indicates otherwise.

References in this document to the "Financial Instruments and Exchange Act of Japan" are to the Financial Instruments and Exchange Act of Japan and other laws and regulations amending and/or supplementing the Financial Instruments and Exchange Act of Japan.

1. Overview of the Company

1. Key Financial Data

(¥ in millions, except earnings per share)

	Six months ended June 30, 2018	Six months ended June 30, 2017	Year ended December 31, 2017
Revenue	¥ 906,196 [477,575]	¥ 847,004 [442,146]	¥ 1,751,038
Profit before income taxes	105,174	108,727	214,007
Profit attributable to owners of the parent	71,927 [42,058]	71,004 [41,588]	134,160
Comprehensive income for the period attributable to owners of the parent	35,289	60,889	148,460
Equity attributable to owners of the parent	1,308,221	1,229,007	1,291,094
Total assets	2,841,237	2,639,942	2,832,364
Earnings per share attributable to owners of the parent:			
Basic	58.33 [34.12]	57.32 [33.60]	108.45
Diluted	58.33	—	—
Ratio of equity attributable to owners of the parent to total assets (%)	46.0	46.6	45.6
Net cash provided by operating activities	58,376	64,080	137,185
Net cash used in investing activities	(16,432)	(8,889)	(45,984)
Net cash used in financing activities	(17,112)	(33,875)	(32,575)
Cash and cash equivalents, end of period	251,793	190,751	230,720

(Notes)

1. The condensed consolidated financial statements and the consolidated financial statements are prepared in accordance with International Financial Reporting Standards (hereinafter, "IFRS").
2. The figures of "Revenue," "Profit attributable to owners of the parent," and "Earnings per share attributable to owners of the parent—Basic" in square brackets are those for the three months ended June 30, 2018 and 2017, respectively.
3. As the Company prepares the condensed consolidated financial statements, its non-consolidated financial data are not presented.
4. Revenue does not include consumption taxes.
5. Amounts less than presentation units are rounded to the nearest unit.
6. "Earnings per share attributable to owners of the parent—Diluted" for the six months ended June 30, 2017 and the year ended December 31, 2017 are not stated because Kubota Corporation did not have potentially dilutive common shares that were outstanding during those periods.

2. Description of Business

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

2. Business Overview

1. Risk Factors

For the six months ended June 30, 2018, there were no events or facts described in "2. Business Overview" or "4. Financial Information," that might have material effects on investors' investment decisions. There were no material changes in the information described in the Risk Factors section of the Annual Securities Report for the year ended December 31, 2017.

In addition, there were no material concerns or events as of June 30, 2018.

2. Material Contracts

There were no material contracts which were approved for conclusion or concluded for the three months ended June 30, 2018.

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

The Company has adopted IFRS instead of accounting principles generally accepted in the United States of America (hereinafter "U.S. GAAP") since the beginning of the current fiscal year. The figures for the six months ended June 30, 2017 and the year ended December 31, 2017 used in the following analysis were reclassified into figures in accordance with IFRS.

(1) Analysis of Results of Operations

For the six months ended June 30, 2018, revenue of the Company increased by ¥59.2 billion (7.0%) from the same period in the prior year to ¥906.2 billion.

Domestic revenue increased by ¥10.1 billion (3.7%) from the same period in the prior year to ¥286.5 billion because of increased revenue in both Farm & Industrial Machinery and Water & Environment.

Overseas revenue increased by ¥49.0 billion (8.6%) from the same period in the prior year to ¥619.7 billion. Revenue in Farm & Industrial Machinery increased due to strong sales of construction machinery and engines. Revenue in Water & Environment increased as well due to increased sales of ductile iron pipes and pumps.

Operating profit increased by ¥1.0 billion (1.0%) from the same period in the prior year to ¥101.1 billion. The increase was due to some positive effects such as increased sales in the domestic and overseas markets and the yen depreciation against the Euro, which compensated for some negative effects such as increased sales promotion expenses and fixed costs in addition to a rise in material prices. Profit before income taxes decreased by ¥3.6 billion (3.3%) from the same period in the prior year to ¥105.2 billion because finance income, which previously included gain on sales of securities, decreased from the same period in the prior year. Income tax expenses decreased by ¥5.9 billion from the same period in the prior year to ¥28.0 billion mainly due to the federal corporate tax rate cut in the United States. Profit for the period increased by ¥2.3 billion (3.1%) from the same period in the prior year to ¥78.1 billion. Profit attributable to owners of the parent increased by ¥0.9 billion (1.3%) from the same period in the prior year to ¥71.9 billion.

Revenue from external customers and operating profit by each reportable segment was as follows:

1) Farm & Industrial Machinery

Farm & Industrial Machinery is comprised of farm equipment, agricultural-related products, engines, and construction machinery.

Revenue in this segment increased by 7.6% from the same period in the prior year to ¥751.0 billion and accounted for 82.9% of consolidated revenue.

Domestic revenue increased by 6.0% from the same period in the prior year to ¥155.9 billion since sales of farm equipment, agricultural-related products, engines, and construction machinery increased, while there was a negative effect from the withdrawal from the vending machinery business.

Overseas revenue increased by 8.1% from the same period in the prior year to ¥595.1 billion. In North America, sales of construction machinery, engines, and tractors increased due to solid demand in each market. Sales in the implements business remained strong as well. In Europe, sales of construction machinery increased significantly in addition to favorable foreign exchange rate of the Japanese yen against the Euro and the British pound sterling. In Asia outside Japan, revenue decreased as sales of farm equipment in China decreased significantly due to the negative effect from delayed announcement of the government subsidy budget for purchasers of farm equipment and stagnation of rice prices. On the other hand, sales of farm equipment in Thailand and Myanmar increased due to recovered demand in response to a rise in the prices of rice and cassava. In addition, sales of tractors in India increased mainly due to the positive effect from the new model of multi-purpose tractors introduced in the prior year.

Operating profit in Farm & Industrial Machinery increased by 6.7% from the same period in the prior year to ¥108.7 billion due to some positive effects such as increased sales in the domestic and overseas markets and the yen depreciation against the Euro, which compensated for some negative effects such as increased sales promotion expenses and 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 4.5% from the same period in the prior year to ¥140.4 billion and accounted for 15.5% of consolidated revenue.

Domestic revenue increased by 1.2% from the same period in the prior year to ¥115.9 billion. Revenue from pipe-related products decreased slightly due to weak sales of ductile iron pipes, while sales of pumps and construction business increased. Revenue from social infrastructure-related products increased because sales of industrial castings and spiral-welded steel pipes for civil engineering work increased. Revenue from environment-related products increased slightly as well.

Overseas revenue increased by 23.2% from the same period in the prior year to ¥24.5 billion because export sales of ductile iron pipes to the Middle East increased significantly. In addition, sales of pumps and wastewater treatment plants (Johkasou) were strong as well.

Operating profit in Water & Environment decreased by 22.7% from the same period in the prior year to ¥9.1 billion mainly due to a rise in material prices.

3) Other

Other is comprised of a variety of services.

Revenue in this segment decreased by 0.5% from the same period in the prior year to ¥14.8 billion and accounted for 1.6% of consolidated revenue.

Operating profit in Other decreased by 25.7% from the same period in the prior year to ¥1.1 billion.

(2) Analysis of Financial Condition

Total assets at June 30, 2018 were ¥2,841.2 billion, an increase of ¥8.9 billion from the prior fiscal year-end.

With respect to assets, inventories increased due to shipping delays in the United States. In addition, finance receivables increased due to the expansion in sales financing operations in North America, where retail sales were strong.

With respect to liabilities, the yen value of liabilities denominated in foreign currencies, such as bonds and borrowings, decreased due to the yen appreciation mainly against the U.S. dollar compared to the prior fiscal year-end. In addition, income taxes payable decreased as well.

Equity increased as the accumulation of retained earnings compensated for deterioration in other components of equity mainly resulting from fluctuations in foreign exchange rates and prices of securities. The ratio of equity attributable to owners of the parent to total assets stood at 46.0%, 0.4 percent higher than at the prior fiscal year-end.

(3) Analysis of Cash Flows

Net cash provided by operating activities during the six months ended June 30, 2018 was ¥58.4 billion, a decrease of ¥5.7 billion in net cash inflow compared with the same period in the prior year. This decrease resulted from an increase in income taxes paid and the changes in working capital, such as inventories and trade receivables, while profit for the period increased.

Net cash used in investing activities was ¥16.4 billion, an increase of ¥7.5 billion in cash outflow compared with the same period in the prior year. This increase was mainly due to a decrease in cash inflow related to proceeds from sales and redemption of securities, while there was a decrease in cash outflow related to acquisition of property, plant, and equipment.

Net cash used in financing activities was ¥17.1 billion, a decrease of ¥16.8 billion in cash outflow compared with the same period in the prior year. This decrease was mainly due to an increase in funding.

As a result of the above, and after taking into account the effects from exchange rate changes, cash and cash equivalents at June 30, 2018 were ¥251.8 billion, an increase of ¥21.1 billion from the beginning of the current period.

(4) Issues to Address on Business and Finance

There were no material changes in the outstanding issues for the Company to address during the six months ended June 30, 2018, and no additional issues arose during the period.

(5) Research and Development

The Company's research and development expenses for the six months ended June 30, 2018 were ¥26.7 billion.
There were no material changes in the Company's research and development activities during the six months ended June 30, 2018.

(6) Major Property, Plant, and Equipment

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

Company name (Location)	Reportable segment	Description	Estimated amount of expenditures		Schedule	
			Total amount of expenditures	Amount already paid	Commenced	To be completed
Kubota Canada Ltd. (Ontario, CANADA)	Farm & Industrial Machinery	Building of new head office and warehouses for business expansion	(millions of CAN$) 67.5	(millions of CAN$) —	April. 2018	October. 2019

3. Information on Kubota Corporation

1. Information on the Shares of Kubota Corporation

(1) Total Number of Shares

1) Total Number of Shares

Class	Total number of shares authorized to be issued (shares)
Common shares	1,874,700,000
Total	1,874,700,000

2) Issued Shares

Class	Number of shares issued as of end of period (shares) (June 30, 2018)	Number of shares issued as of filing date (shares) (August 10, 2018)	Stock exchange on which Kubota Corporation is listed	Description
Common shares	1,234,056,846	1,234,056,846	Tokyo Stock Exchange, Inc. (the first section)	The number of shares per one unit of shares is 100 shares.
Total	1,234,056,846	1,234,056,846	—	—

(2) Information on Share Acquisition Rights

Not applicable.

(3) Information on Moving Strike Convertible Bonds

Not applicable.

(4) Information on Shareholder Rights Plans

Not applicable.

(5) Changes in the Total Number of Issued Shares, the Amount of Common Shares, and Other

Date	Changes in the total number of issued shares (thousands of shares)	Balance of the total number of issued shares (thousands of shares)	Changes in common shares (¥ in millions)	Balance of common shares (¥ in millions)	Changes in capital reserve (¥ in millions)	Balance of capital reserve (¥ in millions)
April 20, 2018	32	1,234,056	¥ 30	¥ 84,130	¥ 30	¥ 73,117

(Note)

The new shares were issued as consideration for monetary remuneration under the restricted stock compensation plan.

Price of issuance (¥ per common share): ¥ 1,845.00

Price of paid-in-capital (¥ per common share): ¥ 922.50

Recipients of shares to be allocated: 6 Directors of the Company, excluding the Outside Directors and a domestic non-resident Director

(6) Major Shareholders

(As of June 30, 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	111,505	9.03
Nippon Life Insurance Company	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo, JAPAN	62,542	5.06
Meiji Yasuda Life Insurance Company	1-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo, JAPAN	59,929	4.85
Japan Trustee Services Bank, Ltd. (Trust account)	8-11, Harumi 1-chome, Chuo-ku, Tokyo, JAPAN	54,266	4.39

Sumitomo Mitsui Banking Corporation	1-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo, JAPAN	36,006	2.91
Mizuho Bank, Ltd.	5-5, Otemachi 1-chome, Chiyoda-ku, Tokyo, JAPAN	31,506	2.55
Moxley & Co. LLC (Standing proxy: Sumitomo Mitsui Banking Corporation)	270 Park Avenue, New York, N.Y. 10017-2070 U.S.A. (3-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo, JAPAN)	25,683	2.08
Japan Trustee Services Bank, Ltd. (Trust account 5)	8-11, Harumi 1-chome, Chuo-ku, Tokyo, JAPAN	20,646	1.67
BNYM TREATY DTT 15 (Standing proxy: MUFG Bank, Ltd.)	225 Liberty Street, New York, N.Y. 10286 U.S.A. (7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo, JAPAN)	19,440	1.57
Japan Trustee Services Bank, Ltd. (Trust account 7)	8-11, Harumi 1-chome, Chuo-ku, Tokyo, JAPAN	18,317	1.48
Total	—	439,843	35.64

(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), Japan Trustee Services Bank, Ltd. (Trust account 5), and Japan Trustee Services Bank, Ltd. (Trust account 7) 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 above table since Kubota Corporation has not confirmed the actual status of shareholdings as of June 30, 2018, except for 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 above table since Kubota Corporation has not confirmed the actual status of shareholdings as of June 30, 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 above table since Kubota Corporation has not confirmed the actual status of shareholdings as of June 30, 2018, except for 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 March 22, 2018 are available for public inspection. However, the information in the reports is not stated in the above table since Kubota Corporation has not

confirmed the actual status of shareholdings as of June 30, 2018. A summary of the reports as of March 15, 2018 is as follows:

Name	Share ownership (thousands of shares)	Ownership percentage to the total number of issued shares (%)
Sumitomo Mitsui Trust Bank, Limited	51,304	4.16
Sumitomo Mitsui Trust Asset Management Co., Ltd.	1,814	0.15
Nikko Asset Management Co., Ltd.	21,374	1.73
Total	74,493	6.04

7. Change reports pertaining to large shareholding reports by Mitsubishi UFJ Financial Group, Inc. dated April 16, 2018 are available for public inspection. However, the information in the reports is not stated in the above table since Kubota Corporation has not confirmed the actual status of shareholdings as of June 30, 2018. A summary of the reports as of April 9, 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	81,907	6.64
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	6,893	0.56
Total	106,957	8.67

(7) Information on Voting Rights

1) Issued Shares

(As of June 30, 2018)

Classification		Number of shares (shares)	Number of voting rights	Description
Shares without voting rights		—	—	—
Shares with restricted voting rights (treasury shares, etc.)		—	—	—
Shares with restricted voting rights (others)		—	—	—
Shares with full voting rights (treasury shares, etc.)	(Treasury shares) Common shares:	1,601,300	—	—
	(Crossholding shares) Common shares:	718,400		
Shares with full voting rights (others)	Common shares:	1,231,478,400	12,314,784	—
Shares less than one unit	Common shares:	258,746	—	Shares less than one unit (100 shares)
Number of issued shares		1,234,056,846	—	—
Total number of voting rights		—	12,314,784	—

(Note)

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

2) Treasury Shares

(As of June 30, 2018)

Name of shareholder	Address	Number of shares held under own name (shares)	Number of shares held under the names of others (shares)	Total shares held (shares)	Ownership percentage to the total number of issued shares (%)
(Treasury share) Kubota Corporation	2-47, Shikitsuhigashi 1-chome, Naniwa-ku, Osaka, JAPAN	1,601,300	—	1,601,300	0.12
(Crossholding shares) Akita Kubota Corporation	295-38, Terauchikamiyashiki, Akita-shi, Akita, JAPAN	41,400	—	41,400	0.00
Minami Tohoku Kubota Corporation	16-1, Takakura Sugishita, Hiwadamachi, Koriyama-shi, Fukushima, JAPAN	102,000	—	102,000	0.00

Hokuriku Kinki Kubota Corporation	956-1, Shimokashiwanomachi, Hakusan-shi, Ishikawa, JAPAN	9,000	—	9,000	0.00
Fukuoka Kyushu Kubota Corporation	11-36, Noma 1-chome, Minami-ku, Fukuoka, JAPAN	566,000	—	566,000	0.04
Total crossholding share	—	718,400	—	718,400	0.05
Total	—	2,319,700	—	2,319,700	0.18

2. Changes in Directors and Senior Management

There has been no change in Directors nor senior management since the filing date of the Annual Securities Report for the 128th business term to June 30, 2018.

(Reference Information)

Kubota Corporation adopted the Executive Officer System. Change in the Executive Officers who do not hold the post of Director since the filing date of the Annual Securities Report for the 128th business term to June 30, 2018 is as follows:

New company and position and responsibility		Former company and position and responsibility		Name	Date of change
Kubota Environmental Services Co., Ltd.	Audit & Supervisory Board Member (Full-time)	Kubota Corporation	Executive Officer of Kubota Corporation, Deputy General Manager of CSR Planning & Coordination Headquarters	Junji Ogawa	March 28, 2018

4. Financial Information

1. Condensed Consolidated Financial Statements

Kubota Corporation and its Subsidiaries

(1) Condensed Consolidated Statement of Financial Position

(¥ in millions)

	Note	June 30, 2018	December 31, 2017	January 1, 2017 (Transition date)
ASSETS				
Current assets:				
Cash and cash equivalents		¥ 251,793	¥ 230,720	¥ 169,416
Trade receivables		627,743	639,083	623,410
Finance receivables		256,977	250,684	230,925
Other financial assets	5	42,963	51,515	63,710
Inventories		382,926	358,854	352,598
Income taxes receivable		14,856	20,787	17,325
Other current assets		49,486	56,783	52,414
Total current assets		1,626,744	1,608,426	1,509,798
Non-current assets:				
Investments accounted for using the equity method		29,992	29,333	28,505
Finance receivables		576,153	559,479	491,444
Other financial assets	5	172,253	188,738	184,854
Property, plant, and equipment		315,246	321,741	301,866
Goodwill and intangible assets		46,824	46,983	40,340
Deferred tax assets		45,035	48,987	50,698
Other non-current assets		28,990	28,677	26,275
Total non-current assets		1,214,493	1,223,938	1,123,982
Total assets		¥ 2,841,237	¥ 2,832,364	¥ 2,633,780

(¥ in millions)

	Note	June 30, 2018	December 31, 2017	January 1, 2017 (Transition date)
LIABILITIES AND EQUITY				
Current liabilities:				
Bonds and borrowings		¥ 328,519	¥ 363,488	¥ 338,488
Trade payables		299,370	286,121	255,859
Other financial liabilities		51,968	39,561	45,148
Income taxes payable		19,287	37,221	19,650
Provisions		20,473	21,213	17,387
Other current liabilities	6	175,825	169,849	157,872
Total current liabilities		895,442	917,453	834,404
Non-current liabilities:				
Bonds and borrowings		499,549	470,613	476,871
Other financial liabilities		4,660	3,621	1,919
Retirement benefit liabilities		12,532	12,943	12,091
Deferred tax liabilities		31,973	41,175	35,861
Other non-current liabilities	6	7,395	10,991	5,560
Total non-current liabilities		556,109	539,343	532,302
Total liabilities		1,451,551	1,456,796	1,366,706
Equity:				
Equity attributable to owners of the parent:				
Share capital		84,130	84,100	84,070
Share premium		86,155	85,037	84,605
Retained earnings		1,094,248	1,040,207	954,819
Other components of equity		46,863	81,924	70,463
Treasury shares, at cost		(3,175)	(174)	(192)
Total equity attributable to owners of the parent		1,308,221	1,291,094	1,193,765
Non-controlling interests		81,465	84,474	73,309
Total equity		1,389,686	1,375,568	1,267,074
Total liabilities and equity		¥ 2,841,237	¥ 2,832,364	¥ 2,633,780

See notes to condensed consolidated financial statements.

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

For the six months ended June 30, 2018 and 2017

Condensed Consolidated Statement of Profit or Loss

(¥ in millions, except earnings per share)

	Note		2018	%		2017	%
Revenue	7	¥	906,196	100.0	¥	847,004	100.0
Cost of sales			(640,906)			(596,829)	
Selling, general, and administrative expenses			(159,688)			(148,664)	
Other income			694			721	
Other expenses			(5,156)			(2,070)	
Operating profit			101,140	11.2		100,162	11.8
Finance income			5,411			14,207	
Finance costs			(1,377)			(5,642)	
Profit before income taxes			105,174	11.6		108,727	12.8
Income tax expenses			(27,999)			(33,890)	
Share of profits of investments accounted for using the equity method			881			901	
Profit for the period		¥	78,056	8.6	¥	75,738	8.9
Profit attributable to:							
Owners of the parent		¥	71,927	7.9	¥	71,004	8.4
Non-controlling interests		¥	6,129	0.7	¥	4,734	0.5
Earnings per share attributable to owners of the parent:	8						
Basic		¥	58.33		¥	57.32	
Diluted		¥	58.33		¥	—	

Condensed Consolidated Statement of Comprehensive Income

(¥ in millions)

	Note		2018		2017
Profit for the period		¥	78,056	¥	75,738
Other comprehensive income, net of tax:					
Items that will not be reclassified to profit or loss:					
Remeasurements of defined benefit pension plans			298		188
Net changes in financial assets measured at fair value through other comprehensive income			(14,774)		—
Items that may be reclassified to profit or loss:					
Exchange differences on translating foreign operations			(24,763)		(10,310)
Unrealized gains on securities					843
Total other comprehensive income, net of tax			(39,239)		(9,279)
Comprehensive income for the period		¥	38,817	¥	66,459
Comprehensive income for the period attributable to:					
Owners of the parent		¥	35,289	¥	60,889
Non-controlling interests		¥	3,528	¥	5,570

See notes to condensed consolidated financial statements.

For the three months ended June 30, 2018 and 2017

Condensed Consolidated Statement of Profit or Loss

(¥ in millions, except earnings per share)

	Note		2018	%		2017	%
Revenue		¥	477,575	100.0	¥	442,146	100.0
Cost of sales			(341,783)			(307,093)	
Selling, general, and administrative expenses			(79,330)			(75,561)	
Other income			947			794	
Other expenses			(161)			(378)	
Operating profit			57,248	12.0		59,908	13.5
Finance income			6,914			6,961	
Finance costs			(4,022)			(2,025)	
Profit before income taxes			60,140	12.6		64,844	14.7
Income tax expenses			(15,454)			(21,332)	
Share of profits of investments accounted for using the equity method			637			656	
Profit for the period		¥	45,323	9.5	¥	44,168	10.0

Profit attributable to:							
Owners of the parent		¥	42,058	8.8	¥	41,588	9.4
Non-controlling interests		¥	3,265	0.7	¥	2,580	0.6

Earnings per share attributable to owners of the parent:	8						
Basic		¥	34.12		¥	33.60	
Diluted		¥	34.12		¥	—	

Condensed Consolidated Statement of Comprehensive Income

(¥ in millions)

	Note		2018		2017
Profit for the period		¥	45,323	¥	44,168
Other comprehensive income, net of tax:					
Items that will not be reclassified to profit or loss:					
Remeasurements of defined benefit pension plans			45		(110)
Net changes in financial assets measured at fair value through other comprehensive income			(5,455)		—
Items that may be reclassified to profit or loss:					
Exchange differences on translating foreign operations			14,200		6,829
Unrealized gains on securities			—		3,828
Total other comprehensive income, net of tax			8,790		10,547
Comprehensive income for the period		¥	54,113	¥	54,715

Comprehensive income for the period attributable to:					
Owners of the parent		¥	51,991	¥	51,690
Non-controlling interests		¥	2,122	¥	3,025

See notes to condensed consolidated financial statements.

(3) Condensed Consolidated Statement of Changes in Equity

(¥ in millions)

	Note	Equity attributable to owners of the parent							
		Share capital	Share premium	Retained earnings	Other components of equity	Treasury shares, at cost	Total	Non-contolling interests	Total equity
Balance at January 1, 2018		¥ 84,100	¥ 85,037	¥ 1,040,207	¥ 81,924	¥ (174)	¥ 1,291,094	¥ 84,474	¥ 1,375,568
Cumulative effects of new accounting standards applied	3			1,377	3,262		4,639	1,014	5,653
Profit for the period				71,927			71,927	6,129	78,056
Other comprehensive income for the period, net of tax					(36,638)		(36,638)	(2,601)	(39,239)
Comprehensive income for the period				71,927	(36,638)		35,289	3,528	38,817
Reclassified into retained earnings				1,715	(1,715)		—		—
Dividends paid	9			(20,978)			(20,978)	(6,376)	(27,354)
Purchases and sales of treasury shares						(3,001)	(3,001)		(3,001)
Restricted stock compensation		30					30		30
Changes in ownership interests in subsidiaries			1,118		30		1,148	(1,175)	(27)
Balance at June 30, 2018		¥ 84,130	¥ 86,155	¥ 1,094,248	¥ 46,863	¥ (3,175)	¥ 1,308,221	¥ 81,465	¥ 1,389,686

	Note	Share capital	Share premium	Retained earnings	Other components of equity	Treasury shares, at cost	Total	Non-contolling interests	Total equity
Balance at January 1, 2017		¥ 84,070	¥ 84,605	¥ 954,819	¥ 70,463	¥ (192)	¥ 1,193,765	¥ 73,309	¥ 1,267,074
Profit for the period				71,004			71,004	4,734	75,738
Other comprehensive income for the period, net of tax					(10,115)		(10,115)	836	(9,279)
Comprehensive income for the period				71,004	(10,115)		60,889	5,570	66,459
Reclassified into retained earnings				192	(192)		—		—
Dividends paid	9			(19,857)			(19,857)	(3,623)	(23,480)
Purchases and sales of treasury shares			144			(6,187)	(6,043)		(6,043)
Restricted stock compensation		30	(15)				15		15
Changes in ownership interests in subsidiaries			238				238	1,469	1,707
Balance at June 30, 2017		¥ 84,100	¥ 84,972	¥ 1,006,158	¥ 60,156	¥ (6,379)	¥ 1,229,007	¥ 76,725	¥ 1,305,732

See notes to condensed consolidated financial statements.

(4) Condensed Consolidated Statement of Cash Flows

(¥ in millions)

For the six months ended June 30:	Note	2018	2017
Operating activities:			
Profit for the period		¥ 78,056	¥ 75,738
Depreciation and amortization		24,196	21,594
Finance income and costs		(3,607)	(8,757)
Income tax expenses		27,999	33,890
Share of profits of investments accounted for using the equity method		(881)	(901)
(Increase) decrease in trade receivables		(2,003)	16,305
Increase in finance receivables		(42,945)	(39,969)
Increase in inventories		(35,470)	(14,209)
Decrease in other assets		11,527	15,210
Increase (decrease) in trade payables		17,200	(9,324)
Increase in other liabilities		19,265	2,039
Other		4,259	707
Interest received		2,113	1,964
Dividends received		1,916	1,841
Interest paid		(475)	(518)
Income taxes paid		(42,774)	(31,530)
Net cash provided by operating activities		58,376	64,080
Investing activities:			
Acquisition of property, plant, and equipment		(19,088)	(28,125)
Acquisition of intangible assets		(4,666)	(3,384)
Proceeds from sales and redemptions of securities		2,891	8,452
Net decrease in short-term loans receivable from associates		303	3,273
Net decrease in time deposits		5,881	9,887
Net decrease in marketable securities		2,114	—
Other		(3,867)	1,008
Net cash used in investing activities		(16,432)	(8,889)
Financing activities:			
Funding from bonds and borrowings		147,085	98,199
Redemptions of bonds and repayments of borrowings		(110,126)	(108,139)
Net (decrease) increase in short-term borrowings		(23,681)	5,401
Payments of dividends	9	(20,978)	(19,857)
Purchases of treasury shares		(3,001)	(6,187)
Other		(6,411)	(3,292)
Net cash used in financing activities		(17,112)	(33,875)
Effect of exchange rate changes on cash and cash equivalents		(3,759)	19
Net increase in cash and cash equivalents		21,073	21,335
Cash and cash equivalents, beginning of period		230,720	169,416
Cash and cash equivalents, end of period		¥ 251,793	¥ 190,751

See notes to condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements

Kubota Corporation and its Subsidiaries

1. REPORTING ENTITY

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

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

2. BASIS OF FINANCIAL STATEMENTS

Compliance with International Financial Reporting Standards (hereinafter, "IFRS") and Disclosure of First-time Adoption

The condensed consolidated financial statements of the Company are prepared in accordance with International Accounting Standard (IAS) 34, as permitted by the provision of Article 93 of the Ordinance on Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements since the Company qualifies as a "Specified Company under Designated International Financial Reporting Standards" pursuant to the provision of Article 1-2 of the Ordinance.

The Company adopted IFRS for the first time for the year ending December 31, 2018 and the date of transition to IFRS (hereinafter, the "transition date") was January 1, 2017. In transitioning to IFRS, the Company applied IFRS 1, "First-time Adoption of International Financial Reporting Standards" (hereinafter, "IFRS 1"). The effects of the transition to IFRS on the Company's financial position, operating results, and cash flows are stated in Note 13. DISCLOSURE OF TRANSITION TO IFRS.

Basis of Measurement

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

Functional Currency and Presentation Currency

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

Significant Accounting Estimates and Material Judgements Required for Estimates

The condensed consolidated financial statements of the Company are prepared by using estimates, judgements, and assumptions relating to the application of accounting policies, reporting of assets, liabilities, revenue, and expenses. Actual results could differ from those accounting estimates and assumptions.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Changes in Accounting Policies

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

The major impacts arising from the adoption of this standard are as follows:

(1) Classification and measurement of financial instruments

Under U.S. GAAP, the Company classified marketable equity securities as available-for-sale securities and measured them at fair value. Other non-marketable equity securities were stated at cost and reviewed periodically for impairment.

Whereas under IFRS, the Company classifies all its equity instruments as financial assets measured at fair value through other comprehensive income and measures them at fair value.

As of January 1, 2018, the application of this standard increased other financial assets, deferred tax liabilities, other components of equity, and non-controlling interests by ¥4,706 million, ¥1,434 million, ¥3,262 million, and ¥6 million, respectively, and decreased deferred tax assets by ¥4 million.

(2) Impairment of financial assets

Under U.S. GAAP, the Company provided an allowance for doubtful accounts and credit losses based on the collection status of receivables, historical credit loss experience, economic trends, the customer's ability to repay, and collateral values.

Whereas under IFRS, the Company evaluates and recognizes a loss allowance of expected credit losses for financial assets measured at amortized cost at the end of each reporting period. A loss allowance is measured by discounting the probability-weighted amount by the effective interest rate, which is based on the reasonable and supportable information available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

As of January 1, 2018, the application of this standard increased finance receivables, retained earnings, and non-controlling interests by ¥2,979 million, ¥1,377 million, and ¥1,008 million, respectively, and decreased deferred tax assets by ¥594 million.

The effects on profit for the period, earnings per share attributable to owners of the parent-basic, and earnings per share attributable to owners of the parent-diluted for the six months and the three months ended June 30, 2018 are not material.

4. SEGMENT INFORMATION

The Company engages in various fields of business and industries by providing products and services which are categorized into the following three segments: Farm & Industrial Machinery; Water & Environment; and Other. The Farm & Industrial Machinery segment manufactures and distributes farm equipment, agricultural-related products, engines, and construction machinery. The Water & Environment segment manufactures and distributes pipe-related products (ductile iron pipes, plastic pipes, pumps, valves, and other products), environment-related products (environmental control plants and other products), and social infrastructure-related products (industrial castings, ceramics, spiral welded steel pipes, and other products). The Other segment offers a variety of services.

The segments represent the components of the Company which 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 condensed consolidated financial statements.

Information by reportable segment is summarized as follows:

(¥ in millions)

For the six months ended June 30:	Farm & Industrial Machinery	Water & Environment	Other	Adjustments	Consolidated
2018:					
Revenue:					
External customers	¥ 750,995	¥ 140,414	¥ 14,787	¥ —	¥ 906,196
Intersegment	160	529	13,396	(14,085)	—
Total	751,155	140,943	28,183	(14,085)	906,196
Operating profit	¥ 108,713	¥ 9,127	¥ 1,111	¥ (17,811)	¥ 101,140
2017:					
Revenue:					
External customers	¥ 697,742	¥ 134,398	¥ 14,864	¥ —	¥ 847,004
Intersegment	166	979	13,329	(14,474)	—
Total	697,908	135,377	28,193	(14,474)	847,004
Operating profit	¥ 101,849	¥ 11,807	¥ 1,495	¥ (14,989)	¥ 100,162

(Notes)

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

(¥ in millions)

For the three months Ended June 30:	Farm & Industrial Machinery	Water & Environment	Other	Adjustments	Consolidated
2018:					
Revenue:					
External customers	¥ 411,559	¥ 59,140	¥ 6,876	¥ —	¥ 477,575
Intersegment	39	214	6,979	(7,232)	—
Total	411,598	59,354	13,855	(7,232)	477,575
Operating profit	¥ 61,755	¥ 345	¥ 387	¥ (5,239)	¥ 57,248
2017:					
Revenue:					
External customers	¥ 378,257	¥ 56,777	¥ 7,112	¥ —	¥ 442,146
Intersegment	36	586	6,930	(7,552)	—
Total	378,293	57,363	14,042	(7,552)	442,146
Operating profit	¥ 63,991	¥ 911	¥ 684	¥ (5,678)	¥ 59,908

(Notes)

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

5. OTHER FINANCIAL ASSETS

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

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

(¥ in millions)

		June 30, 2018
Financial assets measured at amortized cost		
Trade receivables—non-current	¥	43,305
Time deposits		6,699
Restricted cash*		15,941
Others		16,238
Financial assets measured at fair value through other comprehensive income		
Debt financial assets		5,419
Equity financial assets		126,011
Financial assets measured at fair value through profit or loss		
Derivatives		1,603
Total	¥	215,216
Current assets		42,963
Non-current assets		172,253

(¥ in millions)

		December 31, 2017		January 1, 2017 (Transition date)
Long-term trade accounts receivable	¥	40,423	¥	39,852
Time deposits		12,728		26,707
Restricted cash*		12,221		10,007
Securities		153,401		140,667
Derivatives		1,544		7,009
Others		19,936		24,322
Total	¥	240,253	¥	248,564
Current assets		51,515		63,710
Non-current assets		188,738		184,854

(Note)

* Deposits pledged as collateral which are restricted from its withdrawal and advance received for public works which is restricted from its usage.

6. OTHER LIABILITIES

The following table presents the Company's other liabilities:

(¥ in millions)

	June 30, 2018	December 31, 2017	January 1, 2017 (Transition date)
Employment benefit liabilities	¥ 42,592	¥ 42,076	¥ 37,518
Accrued expenses	35,041	31,460	29,969
Refund liabilities	40,320	43,739	41,832
Contract liabilities	12,574	11,593	9,295
Others	52,693	51,972	44,818
Total	¥ 183,220	¥ 180,840	¥ 163,432
Current liabilities	175,825	169,849	157,872
Non-current liabilities	7,395	10,991	5,560

7. REVENUE

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

(¥ in millions)

For the six months ended June 30, 2018	Japan	North America	Europe	Asia outside Japan	Other area	Total
Farm equipment and engines	¥ 138,588	¥ 186,948	¥ 89,112	¥ 135,978	¥ 20,435	¥ 571,061
Construction machinery	15,858	62,652	49,471	13,927	6,694	148,602
Farm & Industrial Machinery	154,446	249,600	138,583	149,905	27,129	719,663
Pipe-related products	67,474	152	5	3,333	5,525	76,489
Environment-related products	35,381	230	411	3,967	544	40,533
Social infrastructure-related products	13,073	3,963	867	3,181	2,308	23,392
Water & Environment	115,928	4,345	1,283	10,481	8,377	140,414
Other	14,607	3	4	19	1	14,634
Revenue recognized from:						
Contracts with customers	284,981	253,948	139,870	160,405	35,507	874,711
Other sources of revenue	1,480	19,863	—	9,369	773	31,485
Total	¥ 286,461	¥ 273,811	¥ 139,870	¥ 169,774	¥ 36,280	¥ 906,196

(¥ in millions)

For the six months ended June 30, 2017	Japan	North America	Europe	Asia outside Japan	Other area	Total
Farm equipment and engines	¥ 131,188	¥ 172,224	¥ 80,149	¥ 140,718	¥ 20,753	¥ 545,032
Construction machinery	14,366	55,037	37,369	11,468	6,335	124,575
Farm & Industrial Machinery	145,554	227,261	117,518	152,186	27,088	669,607
Pipe-related products	68,017	311	1	4,245	519	73,093
Environment-related products	35,131	705	622	2,767	496	39,721
Social infrastructure-related products	11,372	4,172	1,146	3,345	1,549	21,584
Water & Environment	114,520	5,188	1,769	10,357	2,564	134,398
Other	14,704	5	2	29	1	14,741
Revenue recognized from:						
Contracts with customers	274,778	232,454	119,289	162,572	29,653	818,746
Other sources of revenue	1,535	17,585	—	8,484	654	28,258
Total	¥ 276,313	¥ 250,039	¥ 119,289	¥ 171,056	¥ 30,307	¥ 847,004

Revenue recognized from other sources of revenue includes revenue from retail finance under IFRS 9 and revenue from finance lease under IAS 17. The amounts of the above revenue are ¥23,585 million and ¥21,229 million for the six months ended June 30, 2018 and 2017, respectively.

8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

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

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

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

For the six months ended June 30:	**2018**	**2017**
(¥ in millions)		
Profit attributable to owners of the parent	¥ 71,927	¥ 71,004
Profit attributable to participating equity instruments	1	1
Profit attributable to common shareholders	¥ 70,926	¥ 71,003
(thousands of shares)		
Weighted-Average number of common shares outstanding	1,233,153	1,238,802
Weighted-Average number of participating equity instruments	15	15
Weighted-Average number of common shares	1,233,138	1,238,787

For the three months ended June 30:	**2018**	**2017**
(¥ in millions)		
Profit attributable to owners of the parent	¥ 42,058	¥ 41,558
Profit attributable to participating equity instruments	1	1
Profit attributable to common shareholders	¥ 42,057	¥ 41,557
(thousands of shares)		
Weighted-Average number of common shares outstanding	1,232,643	1,237,850
Weighted-Average number of participating equity instruments	27	29
Weighted-Average number of common shares	1,232,616	1,237,821

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

For the six months ended June 30:	**2018**	**2017**
(¥ in millions)		
Profit attributable to owners of the parent	¥ 71,927	¥ —
Profit attributable to participating equity instruments used to calculate earnings per share attributable to owners of the parent —diluted	1	—
Profit attributable to common shareholders used to calculate earnings per share attributable to owners of the parent —diluted	¥ 71,926	¥ —
(thousands of shares)		
Weighted-Average number of common shares outstanding	1,233,153	—
Addition: Remuneration for domestic non-resident	1	—
Weighted-Average number of participating equity instruments	15	—
Weighted-Average number of common shares used to calculate earnings per share attributable to owners of the parent —diluted	1,233,139	—

For the three months ended June 30:	2018	2017
(¥ in millions)		
Profit attributable to owners of the parent	¥ 42,058	¥ —
Profit attributable to participating equity instruments used to calculate earnings per share attributable to owners of the parent —diluted	1	—
Profit attributable to common shareholders used to calculate earnings per share attributable to owners of the parent —diluted	¥ 42,057	¥ —
(thousands of shares)		
Weighted-Average number of common shares outstanding	1,232,643	—
Addition: Remuneration for domestic non-resident	1	—
Weighted-Average number of participating equity instruments	27	—
Weighted-Average number of common shares used to calculate earnings per share attributable to owners of the parent —diluted	1,232,617	—

9. DIVIDENDS

Devidends paid are as follows.

For the six months ended June 30, 2018

Resolution	Class of shares	Dividends (¥ in millions)	Dividends per common share	Record date	Effective date
The Meeting of the Board of Directors on February 14, 2018	Common shares	¥ 20,978	¥ 17.00	December 31, 2017	March 26, 2018

For the six months ended June 30, 2017

Resolution	Class of shares	Dividends (¥ in millions)	Dividends per common share	Record date	Effective date
The Meeting of the Board of Directors on February 14, 2017	Common shares	¥ 19,857	¥ 16.00	December 31, 2016	March 27, 2017

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

Level 3 – Unobservable inputs for the assets or liabilities: inputs that are measured using the entity’s own assumptions; inputs that are reasonably available; or inputs that many market participants use with reasonable confidence.

Financial instruments measured at fair value

The following table presents fair values of the Company’s financial instruments measured at fair value.

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

(¥ in millions)	Level 1	Level 2	Level 3	Total
At June 30, 2018:				
Financial assets:				
Financial assets measured at fair value through profit or loss				
Derivatives				
Foreign exchange contracts	¥ —	¥ 332	¥ —	¥ 332
Interest rate swap contracts	—	334	—	334
Cross-currency interest rate swap contracts	—	937	—	937
Financial assets measured at fair value through other comprehensive income				
Debt financial assets	5,419	—	—	5,419
Equity financial assets	121,376	—	4,635	126,011
Total	¥ 126,795	¥ 1,603	¥ 4,635	¥ 133,033
Financial liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivatives				
Foreign exchange contracts	¥ —	¥ 969	¥ —	¥ 969
Interest rate swap contracts	—	263	—	263
Cross-currency interest rate swap contracts	—	1,724	—	1,724
Total	¥ —	¥ 2,956	¥ —	¥ 2,956
At December 31, 2017:				
Financial assets:				
Available-for-sale securities				
Equity securities of financial institutions	¥ 46,328	¥ —	¥ —	¥ 46,328
Other equity securities	95,937	—	—	95,937
Debt securities	7,718	—	—	7,718
Derivatives				
Foreign exchange contracts	—	149	—	149
Interest rate swap contracts	—	135	—	135
Cross-currency interest rate swap contracts	—	1,260	—	1,260
Total	¥ 149,983	¥ 1,544	¥ —	¥ 151,527
Financial liabilities:				
Derivatives				
Foreign exchange contracts	¥ —	¥ 575	¥ —	¥ 575
Interest rate swap contracts	—	419	—	419
Cross-currency interest rate swap contracts	—	2,663	—	2,663
Total	¥ —	¥ 3,657	¥ —	¥ 3,657
At January 1, 2017 (Transition date):				
Financial assets:				
Available-for-sale securities				
Equity securities of financial institutions	¥ 48,435	¥ —	¥ —	¥ 48,435
Other equity securities	88,582	—	—	88,582
Derivatives				
Foreign exchange contracts	—	45	—	45
Cross-currency interest rate swap contracts	—	6,964	—	6,964
Total	¥ 137,017	¥ 7,009	¥ —	¥ 144,026
Financial liabilities:				
Derivatives				
Foreign exchange contracts	¥ —	¥ 5,136	¥ —	¥ 5,136
Interest rate swap contracts	—	9	—	9
Cross-currency interest rate swap contracts	—	34	—	34
Total	¥ —	¥ 5,179	¥ —	¥ 5,179

Debt financial assets and equity financial assets categorized into Level 1 are valued using a quoted price for identical assets in active markets.

Because derivatives are valued using observable market inputs from major international financial institutions, they are categorized into Level 2.

Equity financial assets categorized into Level 3 are unlisted securities and the fair values of those securities are determined based on an approach using observable inputs such as comparable companies' share prices and unobservable inputs. In regards to equity financial assets categorized into Level 3, significant changes in fair value occurring when unobservable inputs are changed to reasonably possible alternative assumptions are not expected.

Transfers between levels are recognized at the end of the reporting period when such transfers are made. There were no financial instruments transferred between the levels for the six months ended June 30, 2018.

A reconciliation of financial instruments categorized at Level 3 for the six months ended June 30, 2018 is as follows:

(¥ in millions)

Balance at beginning of period	¥	8,123
Gains or losses		(3,279)
Purchases		21
Sales		(230)
Balance at end of period	¥	4,635

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

Financial instruments measured at amortized cost

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

(¥ in millions)

	June 30, 2018		December 31, 2017		January 1, 2017 (Transition date)	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Finance receivables:						
Retail finance receivables	¥ 653,698	¥ 626,609	¥ 628,115	¥ 613,327	¥ 559,066	¥ 550,357
Lease receivables	179,432	171,794	182,048	175,029	163,303	156,250
Trade receivables—non-current	75,949	81,033	69,127	74,336	69,174	74,366
Bonds and borrowings	828,068	814,650	834,101	822,241	815,359	806,336

The fair value is stated at the present value of future cash flows as obtained by discounting the amount at the current market rate. Trade receivables—non-current in the table include the current portion, which are included in trade receivables on the condensed consolidated statement of financial position.

The carrying amount of cash and cash equivalents, trade receivables (excluding the current portion of trade receivables—non-current), other financial assets (excluding debt financial assets and equity financial assets, and derivatives), trade payables, and other financial liabilities (excluding derivatives) approximates fair value because of the short maturity of those instruments.

11. CONTINGENT LIABILITIES

Legal Proceedings

Since May 2007, the Company has been subject to 30 asbestos-related lawsuits in Japan, which were filed against the Company or defendant parties consisting of the Japanese government and asbestos-related companies including the Company. The total claims for compensation of all 30 lawsuits aggregate ¥27,136 million, which relate to 706 construction workers who suffered from asbestos-related diseases.

23 among 30 lawsuits were compiled into seven cases, which were decided in favor of the Company, but the plaintiffs appealed to the court ruling of these seven cases. Among the seven, two appellate courts ruled in favor of the Company, but the plaintiff again appealed to the Supreme Court ruling immediately after the judgement. The above cases will continue until an ultimate outcome is reached.

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

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

The Company does not have any cost-sharing arrangements with other potentially responsible parties, including the government for these 30 lawsuits.

Matters Related to the Health Hazards of Asbestos

The Company’s plant in Amagasaki, Hyogo Prefecture, Japan, had previously produced asbestos-related products. The Company decided to make voluntary consolation payments to certain residents in June 2005, and established a relief payment program in place as a voluntary consolation payment to the residents in April 2006. With regard to the current and former employees who suffered and are suffering from asbestos-related diseases, the Company provides compensation which is not required by law, but is made in accordance with the Company’s internal policies.

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

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

The Company accrues asbestos-related expenses when the Company receives the related claims, which include possible payments to certain residents who lived near the Company’s plant and current and former employees, and the special contribution in accordance with the New Asbestos Law. The accrued balances for those expenses are ¥176 million, ¥72 million, and ¥177 million at June 30, 2018, December 31, 2017, and January 1, 2017, respectively. The asbestos related expenses recognized for the six months ended June 30, 2018 and 2017 were ¥426 million and ¥436 million, respectively.

12. SUBSEQUENT EVENTS

Not applicable.

13. DISCLOSURE OF TRANSITION TO IFRS

The condensed consolidated financial statements are prepared in accordance with IFRS for the first time from the beginning of the fiscal year ending December 31, 2018. The latest consolidated financial statements in accordance with U.S. GAAP were prepared for the year ended December 31, 2017 and the transition date is January 1, 2017.

IFRS 1 Exemptions

IFRS 1 requires an entity which adopts IFRS for the first time (hereinafter, the "first-time adopter") to adopt IFRS retrospectively to prior periods. However, IFRS 1 provides mandatory exceptions prohibiting retrospective application and certain exemptions that allow first-time adopters to voluntarily choose not to apply certain standards retrospectively.

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

Major exemptions adopted by the Company are as follows:

(1) Business combinations

IFRS 1 permits first-time adopters not to apply IFRS 3 "Business Combinations" (hereinafter "IFRS 3") retrospectively to business combinations that occurred prior to the transition date. The Company chose to apply this exemption and did not apply IFRS 3 retrospectively to business combinations that occurred prior to the transition date. The Company performed impairment tests at the transition date on goodwill arisen from business combinations that occurred prior to the transition date regardless of whether there was any indication that goodwill may be impaired.

(2) Exchange differences on translating foreign operations

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

(3) Exemptions from retrospective application of IFRS 9

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

Reconciliations from U.S. GAAP to IFRS

The effects of the transition from U.S. GAAP to IFRS on financial position, profit or loss, and cash flows of the Company are shown in the following reconciliations.

"Reclassification" includes items that do not affect retained earnings and comprehensive income, while "Recognition and measurement" includes items that affect retained earnings or comprehensive income.

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

a) Reconciliation of equity as of June 30, 2017

(¥ in millions)

Presentation under U.S.GAAP	U.S.GAAP	Reclassification	Recognition and measurement	IFRS	Note	Presentation under IFRS
ASSETS						**ASSETS**
Current assets:						**Current assets:**
Cash and cash equivalents	190,751			190,751		Cash and cash equivalents
Notes and accounts receivable:						
Trade notes	56,623					
Trade accounts	543,959					
Less: Allowance for doubtful notes and accounts receivable	(2,846)					
Net notes and accounts receivable	597,736	(1,185)		596,551		Trade receivables
Short-term finance receivables-net	245,977	(13,616)		232,361	A	Finance receivables
		42,020		42,020	A	Other financial assets
Inventories	367,421		(770)	366,651	F	Inventories
		17,109		17,109		Income taxes receivable
Other current assets	99,141	(53,250)	(706)	45,185	A,F	Other current assets
Total current assets	1,501,026	(8,922)	(1,476)	1,490,628		Total current assets
Investments and long-term finance receivables:						**Non-current assets:**
Investments in and loans receivable from affiliated companies	27,972			27,972		Investments accounted for using the equity method
Other investments	138,990	(138,990)				
Long-term finance receivables—net	532,651	(18,001)		514,650	A	Finance receivables
Total investments and long-term finance receivables	699,613					
		185,055		185,055	A	Other financial assets
Property, plant, and equipment:						
Land	83,071					
Buildings	297,427					
Machinery and equipment	498,252					
Construction in progress	12,589					
Total property, plant, and equipment	891,339					
Less: Accumulated depreciation	(579,167)					
Net property, plant, and equipment	312,172	(12,526)	175	299,821	C	Property, plant, and equipment
Other assets:						
Goodwill and intangible assets-net	44,002	(2,542)	(869)	40,591	B,C	Goodwill and intangible assets
Long-term trade accounts receivable	43,395	(43,395)				
		45,450	9,898	55,348	G	Deferred tax assets
Other	61,133	(33,778)	(1,478)	25,877	D	Other non-current assets
Less: Allowance for doubtful non-current receivables	(726)	726				
Total other assets	147,804					
				1,149,314		Total non-current assets
Total assets	2,660,615	(26,923)	6,250	2,639,942		**Total assets**

(¥ in millions)

Presentation under U.S.GAAP	U.S.GAAP	Reclassification	Recognition and measurement	IFRS	Note	Presentation under IFRS
LIABILITIES AND EQUITY						**LIABILITIES AND EQUITY**
Current liabilities:						**Current liabilities:**
Short-term borrowings	193,176	131,800		324,976		Bonds and borrowings
Trade notes payable	139,120	107,336		246,456		Trade payables
Trade accounts payable	107,336	(107,336)				
Advances received from customers	7,785	(7,785)				
Notes and accounts payable for capital expenditures	12,862	(12,862)				
Accrued payroll costs	36,393	(36,393)				
Accrued expenses	63,412	(63,412)				
		30,971	(16)	30,955	A	Other financial liabilities
Income taxes payable	25,697			25,697		Income taxes payable
		17,253		17,253		Provisions
Other current liabilities	94,263	63,737	2,878	160,878	F	Other current liabilities
Current portion of long-term debt	132,318	(132,318)				
Total current liabilities	812,362	(9,009)	2,862	806,215		Total current liabilities
Long-term liabilities:						**Non-current liabilities:**
Long-term debt	471,167	(1,816)		469,351		Bonds and borrowings
		2,693	(125)	2,568	A	Other financial liabilities
Accrued retirement and pension costs	12,354			12,354	D	Retirement benefit liabilities
		30,993	6,904	37,897	G	Deferred tax liabilities
Other long-term liabilities	54,617	(49,784)	992	5,825		Other non-current liabilities
Total long-term liabilities	538,138	(17,914)	7,771	527,995		Total non-current liabilities
				1,334,210		**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	84,972			84,972		Share premium
Legal reserve	19,539	(19,539)				
Retained earnings	1,011,990	19,539	(25,371)	1,006,158	H	Retained earnings
Accumulated other comprehensive income	39,430		20,726	60,156	D,E,G	Other components of equity
Treasury stock, at cost	(6,379)			(6,379)		Treasury shares, at cost
Total Kubota Corporation shareholders' equity	1,233,652	—	(4,645)	1,229,007		Total equity attributable to owners of the parent
Non-controlling interests	76,463		262	76,725		Non-controlling interests
Total equity	1,310,115	—	(4,383)	1,305,732		**Total equity**
Total liabilities and equity	2,660,615	(26,923)	6,250	2,639,942		**Total liabilities and equity**

b) Reconciliation of comprehensive income for the six months ended June 30, 2017

(¥ in millions)

Presentation under U.S.GAAP	U.S.GAAP	Reclassification	Recognition and measurement	IFRS	Note	Presentation under IFRS
Revenues	845,996		1,008	847,004	F	**Revenue**
Cost of revenues	(599,320)		2,491	(596,829)	B,D,F	**Cost of sales**
Selling, general, and administrative expenses	(145,682)	(598)	(2,384)	(148,664)	D	**Selling, general, and administrative expenses**
Other operating expenses—net	(395)	395				
		721		721		**Other income**
		(2,070)		(2,070)		**Other expenses**
Operating income	100,599	(1,552)	1,115	100,162		**Operating profit**
Other income (expenses):						
Interest and dividend income	3,715					
Interest expense	(347)					
Gain on sales of securities—net	5,384					
Foreign exchange gain—net	3,313					
Other—net	(5,057)					
Other income (expenses)—net	7,008	(7,008)				
		14,207		14,207		**Finance income**
		(5,647)	5	(5,642)		**Finance costs**
Income before income taxes and equity in net income of affiliated companies	107,607	—	1,120	108,727		**Profit before income taxes**
Income taxes:						
Current	(37,128)					
Deferred	3,737					
Total income taxes	(33,391)		(499)	(33,890)	G	**Income tax expenses**
Equity in net income of affiliated companies	845		56	901		**Share of profits of investments accounted for using the equity method**
Net income	75,061	—	677	75,738		**Profit for the period**
						Profit attributable to:
Net income attributable to Kubota Corporation	70,444	—	560	71,004		**Owners of the parent**
Net income attributable to non-controlling interests	4,617	—	117	4,734		**Non-controlling interests**

(¥ in millions)

Presentation under U.S.GAAP	U.S.GAAP	Reclassification	Recognition and measurement	IFRS	Note	Presentation under IFRS
Net income	75,061	—	677	75,738		**Profit for the period**
Other comprehensive income (loss), net of tax:						**Other comprehensive income, net of tax**
						Items that will not be reclassified to profit or loss
Pension liability adjustments	544		(356)	188	D	Remeasurements of defined benefit pension plans
						Items that may be reclassified to profit or loss
Foreign currency translation adjustments	(10,456)		146	(10,310)		Exchange differences on translating foreign operations
Unrealized gains on securities	842		1	843		Unrealized gains on securities
Total other comprehensive loss	(9,070)	—	(209)	(9,279)		Total other comprehensive income, net of tax
Comprehensive income	65,991	—	468	66,459		**Comprehensive income for the period**

						Comprehensive income for the period attributable to:
Comprehensive income attributable to Kubota Corporation	60,538	—	351	60,889		**Owners of the parent**
Comprehensive income attributable to non-controlling interests	5,453	—	117	5,570		**Non-controlling interests**

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

(¥ in millions)

Presentation under U.S.GAAP	U.S.GAAP	Reclassification	Recognition and measurement	IFRS	Note	Presentation under IFRS
Revenues	443,173		(1,027)	442,146	F	**Revenue**
Cost of revenues	(307,645)		552	(307,093)	B,D,F	**Cost of sales**
Selling, general, and administrative expenses	(73,907)	(292)	(1,362)	(75,561)	D	**Selling, general, and administrative expenses**
Other operating expenses—net	(372)	372				
		794		794		**Other income**
		(378)		(378)		**Other expenses**
Operating income	61,249	496	(1,837)	59,908		**Operating profit**
Other income (expenses):						
Interest and dividend income	2,600					
Interest expense	(127)					
Gain on sales of securities—net	2,804					
Foreign exchange gain—net	2,207					
Other—net	(2,055)					
Other income (expenses)—net	5,429	(5,429)				
		6,961		6,961		**Finance income**
		(2,028)	3	(2,025)		**Finance costs**
Income before income taxes and equity in net income of affiliated companies	66,678	—	(1,834)	64,844		**Profit before income taxes**
Income taxes:						
Current	(19,637)					
Deferred	(2,287)					
Total income taxes	(21,924)		592	(21,332)	G	**Income tax expenses**
Equity in net income of affiliated companies	628		28	656		**Share of profits of investments accounted for using the equity method**
Net income	45,382	—	(1,214)	44,168		**Profit for the period**

						Profit attributable to:
Net income attributable to Kubota Corporation	42,860	—	(1,272)	41,588		**Owners of the parent**
Net income attributable to non-controlling interests	2,522	—	58	2,580		**Non-controlling interests**

(¥ in millions)

Presentation under U.S.GAAP	U.S.GAAP	Reclassification	Recognition and measurement	IFRS	Note	Presentation under IFRS
Net income	45,382	—	(1,214)	44,168		**Profit for the period**
Other comprehensive income (loss), net of tax:						**Other comprehensive income, net of tax**
						Items that will not be reclassified to profit or loss
Pension liability adjustments	70		(180)	(110)	D	Remeasurements of defined benefit pension plans
						Items that may be reclassified to profit or loss
Foreign currency translation adjustments	6,778		51	6,829		Exchange differences on translating foreign operations
Unrealized gains on securities	3,828			3,828		Unrealized gains on securities
Total other comprehensive income	10,676	—	(129)	10,547		Total other comprehensive income, net of tax
Comprehensive income	56,058	—	(1,343)	54,715		**Comprehensive income for the period**

						Comprehensive income for the period attributable to:
Comprehensive income attributable to Kubota Corporation	53,091	—	(1,401)	51,690		**Owners of the parent**
Comprehensive income attributable to non-controlling interests	2,967	—	58	3,025		**Non-controlling interests**

Notes to Reconciliation of Equity and Comprehensive Income

A. Reclassification

The major items of "Reclassification" are as follows:

(1) Presentation of finance receivables

Under U.S. GAAP, the Company accrued the preferential interest equivalents arising from retail finance operation in liabilities and recorded finance receivables including those amounts in assets.

Whereas under IFRS, the preferential interest equivalents are considered as a part of consideration received and therefore they are subtracted from finance receivables.

(2) Presentation of financial assets and liabilities

IFRS requires an entity to separately state financial assets and liabilities on the condensed consolidated statement of financial position.

Therefore, time deposits and derivatives, which were included in other current assets under U.S. GAAP, other investments and long-term trade accounts receivable, which were separately stated under U.S. GAAP, and derivatives, which were included in other assets—other under U.S. GAAP, are all included in financial assets under IFRS. Notes and accounts payable for capital expenditures, which were separately stated under U.S. GAAP, derivatives, which was included in other current liabilities and other liabilities under U.S. GAAP, are all included in financial liabilities under IFRS.

(3) Presentation of contract assets

Under U.S. GAAP, receivables arising from the percentage-of-completion method, which were recognized during the construction in process, were included in trade accounts receivable.

Whereas under IFRS, the rights to the consideration, which are recognized in line with the progress towards complete satisfaction of a performance obligation, are stated as contract assets, and the Company distinguishes them from trade receivables, which are the Company's rights to unconditional consideration, and includes them in other current assets.

B. Capitalization of development expenses

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

Whereas under IFRS, certain development expenses which meet the required criteria for capitalization are recognized as intangible assets and amortized over their estimated useful lives on a straight-line basis.

C. Impairment of goodwill

When evaluating whether goodwill is impaired under U.S. GAAP, the fair value of the reporting unit including goodwill is compared with its carrying amount. When the fair value of the reporting unit is lower than its carrying amount, the fair value of goodwill is calculated, and if the fair value of goodwill is lower than its carrying amount of goodwill, the difference is recognized as impairment loss of goodwill.

Whereas under IFRS, when the carrying amount of the cash-generating unit including goodwill exceeds its recoverable amount, the excess amount is recognized as impairment loss. For impairment loss arising in the cash-generating unit including goodwill, the Company first impairs goodwill, and when there is any remaining amount, recognizes impairment loss for other assets in the cash-generating unit.

On the transition date, the Company conducted impairment tests on each cash-generating unit. Impairment losses of ¥3,982 million, ¥149 million, and ¥1,439 million were recognized on goodwill, property, plant, and equipment, and intangible assets, respectively, all in the Farm & Industrial Machinery segment.

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

D. Post-employment benefit

Under U.S. GAAP, post-employment benefit related to defined benefit pension plans, service cost, interest cost, and expected return on plan assets are recognized in profit or loss. The portion of actuarial gains and losses arising from the defined benefit pension plans and past service cost incurred that was not recognized as a component of retirement benefit expenses for the period is recognized at the amount net of tax in accumulated other comprehensive income. The amount recognized in accumulated other comprehensive income is subsequently reclassified to income or loss as a component of retirement benefit expenses over a period of time in the future.

Whereas under IFRS, post-employment benefit related to defined benefit pension plans, current service cost and past service cost are recognized in profit or loss, and the amount calculated by multiplying net defined benefit liability (asset) by the discount rate is recognized as interest expense (income) in profit or loss. If the defined benefit pension plan has a surplus, the net defined benefit asset is limited to the present value of any future economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

As a result, other components of equity increased by ¥563 million and other non-current assets decreased by ¥1,478 million at June 30, 2017, respectively. Cost of sales increased by ¥617 million and ¥343 million and selling, general, and administrative expenses increased by ¥339 million and ¥171 million for the six months and the three months ended June 30, 2017, respectively.

Remeasurements of the net defined liability (asset) are recognized at the amount net of tax in other comprehensive income, and transferred from other components of equity directly to retained earnings, not through profit or loss.

As a result, other components of equity increased by ¥25,116 million at June 30, 2017.

E. Exchange differences on translating foreign operations

The Company chose to apply the IFRS 1 exemption and deemed the full cumulative amount of the exchange differences on translating foreign operations to be zero at the transition date.

As a result, other components of equity decreased by ¥26,009 million at June 30, 2017.

F. Revenue recognition

Under U.S. GAAP, discounts and rebates depending on sales volumes are measured and recognized based on the related incentive program at the later of the timing when the Company recognizes and measures related revenues or the timing when related incentive programs are provided to the customers.

Whereas under IFRS, discounts and rebates depending on sales volumes are measured and recognized when the Company satisfies performance obligations by the method that seems to appropriately estimate the amount of consideration by using past, current and future expected information which is reasonably available to the Company.

As a result, other current liabilities increased by ¥913 million at June 30, 2017. Revenue increased by ¥5,319 million and decreased by ¥1,785 million for the six months and the three months ended June 30, 2017, respectively.

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

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

As a result, other current assets increased by ¥1,269 million and inventories decreased by ¥885 million at June 30, 2017, respectively. Revenue decreased by ¥4,311 million and increased by ¥758 million and cost of sales decreased by ¥2,697 million and increased by ¥513 million for the six months and the three months ended June 30, 2017, respectively.

G. Income taxes

Under U.S. GAAP, subsequent changes to deferred tax assets and liabilities recognized on items previously recognized in other comprehensive income are recognized in profit or loss.

Whereas under IFRS, subsequent changes to deferred tax assets and liabilities recognized on items previously recognized in other comprehensive income are recognized in other comprehensive income.

As a result, other component of equity increased by ¥20,913 million at June 30, 2017.

Under U.S. GAAP, with respect to unrealized gains and losses from intercompany transactions, a deferred tax asset is recognized using the effective tax rate of the seller.

Whereas under IFRS, a deferred tax asset is recognized using the effective tax rate of the buyer as a temporary difference of assets held by the buyer.

As a result, net deferred tax assets decreased by ¥26 million at June 30, 2017. Income tax expenses decreased by ¥292 million and increased by ¥113 million for the six months and the three months ended June 30, 2017, respectively.

H. Retained earnings

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

(¥ in millions)

		June 30, 2017
Capitalization of development expenses	¥	3,514
Impairment of goodwill		(4,639)
Post-employment benefit		(26,636)
Exchange differences on translating foreign operations		26,009
Revenue recognition		(193)
Income taxes		(21,201)
Other		(2,225)
Effect of the transition on retained earnings	¥	(25,371)

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

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

Under U.S. GAAP, increase in and collection of finance receivables were classified into cash flows from investing activities, whereas under IFRS, they are classified into cash flows from operating activities.

14. APPROVAL OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved on August 10, 2018 by Masatoshi Kimata, President and Representative Director of the Parent Company, and Shigeru Kimura, Director and Senior Managing Executive Officer, General Manager of Planning & Control Headquarters of the Parent Company.

2. Other

On August 2, 2018, the Board of Directors of the Parent Company resolved to pay dividends as follows:

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

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

3) Effective Date of Claim of Payment and Start Date of Payment
September 3, 2018

COVER

[Document Filed]	Confirmation Letter
[Applicable Law]	Article 24-4-8, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed to]	Director, Kanto Local Finance Bureau
[Filing Date]	August 10, 2018
[Company Name]	Kabushiki Kaisha Kubota
[Company Name in English]	Kubota Corporation
[Title and Name of Representative]	Masatoshi Kimata, President and Representative Director
[Title and Name of CFO]	Shigeru Kimura, Director and Senior Managing Executive Officer General Manager of Planning & Control Headquarters
[Address of Head Office]	2-47, Shikitsuhigashi 1-chome, Naniwa-ku, Osaka, JAPAN
[Place Where Available for Public Inspection]	Kubota Corporation, Hanshin Office (1-1, Hama 1-chome, Amagasaki-shi, Hyogo, JAPAN) Kubota Corporation, Tokyo Head Office (1-3, Kyobashi 2-chome, Chuo-ku, Tokyo, JAPAN) Kubota Corporation, Chubu Regional Office (22-8, Meieki 3-chome, Nakamura-ku, Nagoya, JAPAN) Kubota Corporation, Yokohama Branch (6, Onoe-cho 1-chome, Naka-ku, Yokohama, JAPAN) Tokyo Stock Exchange, Inc (2-1, Nihombashi Kabuto-cho, Chuo-ku, Tokyo, JAPAN)

1. Matters Related to Adequacy of Statements Contained in the Quarterly Report

Masatoshi Kimata, President and Representative Director, and Shigeru Kimura, Director and Senior Managing Executive Officer, General Manager of Planning & Control Headquarters, confirmed that statements contained in the Quarterly Report for the second quarter of the 129th fiscal year (from April 1, 2018 to June 30, 2018) were adequate under the Financial Instruments and Exchange Act of Japan.

2. Special Notes

Not applicable.