

**KUBOTA Corporation**

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**RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2017**

Kubota Corporation hereby reports its consolidated results for the year ended December 31, 2017.

**Consolidated Financial Highlights****1. Consolidated results of operations for the year ended December 31, 2017****(1) Results of operations**

(In millions of yen, except per common share amounts)

	Year ended Dec. 31, 2017	change [%]	Year ended Dec. 31, 2016	Adjusted change [%]
Revenues	¥ 1,751,535	9.7	¥ 1,596,091	(5.5)
Operating income	¥ 198,826	5.3	¥ 188,777	(15.3)
% of revenues	11.4%		11.8%	
Income before income taxes and equity in net income of affiliated companies	¥ 212,901	8.1	¥ 196,971	(12.1)
% of revenues	12.2%		12.3%	
Net income attributable to Kubota Corporation	¥ 136,445	3.0	¥ 132,485	(11.3)
% of revenues	7.8%		8.3%	
Net income attributable to Kubota Corporation per common share:				
Basic	¥ 110.30		¥ 106.58	
Diluted	-		-	
Ratio of net income attributable to Kubota Corporation to shareholders' equity	10.9%		11.3%	
Ratio of income before income taxes and equity in net income of affiliated companies to total assets	7.7%		7.6%	

**(2) Financial condition**

(In millions of yen, except per common share amounts)

	Dec. 31, 2017	Dec. 31, 2016
Total assets	¥ 2,853,930	¥ 2,670,582
Equity	¥ 1,385,435	¥ 1,271,925
Kubota Corporation shareholders' equity	¥ 1,301,345	¥ 1,198,761
Ratio of Kubota Corporation shareholders' equity to total assets	45.6%	44.9%
Kubota Corporation shareholders' equity per common share	¥ 1,054.86	¥ 966.19

**(3) Summary of statements of cash flows**

(In millions of yen)

	Year ended Dec. 31, 2017	Year ended Dec. 31, 2016
Net cash provided by operating activities	¥ 222,288	¥ 184,978
Net cash used in investing activities	( ¥ 130,339)	( ¥ 167,525)
Net cash (used in) provided by financing activities	( ¥ 32,575)	¥ 11,364
Cash and cash equivalents, end of year	¥ 230,720	¥ 169,416

Notes:

1. Change [%] represents the percentage change from the prior year.
2. From April 1, 2015, Kubota Corporation changed its fiscal year-end from March 31 to December 31. For this reason, the last fiscal year, which commenced on January 1, 2016 and ended on December 31, 2016 is different from the preceding fiscal year, which commenced on April 1, 2015 and ended on December 31, 2015. Accordingly, adjusted change [%] for the year ended December 31, 2016 represents the percentage change from the same period in the prior year that commenced on January 1, 2015 and ended on December 31, 2015. Please note that the results of operations for the same period in the prior year are not subject to the audit.
3. Comprehensive income for the year ended December 31, 2017 and 2016 was ¥166,441 million [47.8%] and ¥112,599 million [adjusted change (6.1%)], respectively.
4. Equity in net income of affiliated companies for the year ended December 31, 2017 and 2016 was ¥2,366 million and ¥2,440 million, respectively.

## 2. Cash dividends

(In millions of yen, except per common share amounts)

	Cash dividends per common share					Annual cash dividends	Payout ratio	Annual cash dividends as % to shareholders' equity
	First quarter period	Second quarter period	Third quarter period	Year-end	Total			
Year ended Dec. 31, 2017	—	¥ 15.00	—	¥ 17.00	¥ 32.00	¥ 39,542	29.0%	3.2%
Year ended Dec. 31, 2016	—	¥ 14.00	—	¥ 16.00	¥ 30.00	¥ 37,268	28.1%	3.2%

Note:

Although Kubota Corporation's basic policy for the return of profit to shareholders is to maintain stable dividends and raise dividends, the specific amount of cash dividends for each fiscal year is decided in consideration of the development of business performance, financial condition, and shareholder return ratio calculated from dividends and retirement of its own shares.

## 3. Forecasts of operations for the year ending December 31, 2018

(In millions of yen, except per common share amounts)

	Six months ending June 30, 2018	Change [%]	Year ending Dec. 31, 2018	Change [%]
Revenues	¥ 920,000	8.1	¥ 1,820,000	3.9
Operating profit	¥ 109,000	7.3	¥ 213,000	6.2
Profit before income taxes	¥ 112,000	1.7	¥ 219,000	2.1
Profit attributable to owners of the parent	¥ 77,000	7.0	¥ 151,000	12.2
Profit attributable to owners of the parent per share	¥ 62.40		¥ 122.36	

Notes:

1. Change [%] represents the percentage change from the prior year.
2. Kubota Corporation has resolved to voluntarily adopt International Financial Reporting Standards (hereinafter "IFRS") from the 1st quarter of the fiscal year ending December 31, 2018, and therefore, the consolidated financial forecasts have been calculated in accordance with IFRS. The IFRS financial results for the year ended December 31, 2017, which have been used to calculate percentage changes from the prior year or the corresponding period in the prior year, are approximate values and subject to change depending on the accounting audit results.
3. Please refer to the accompanying materials, "1. Review of operations and financial condition (1) Review of operations c) Forecasts for the year ending December 31, 2018" on page 6 for further information related to the forecasts of operations.

#### 4. Other

- (1) Changes in material subsidiaries: No
- (2) Changes in accounting principles, procedures, and presentations for consolidated financial statements
- a) Changes due to the revision of accounting standards, etc.: Yes
- b) Changes in matters other than a) above: No

Note: Please refer to the accompanying materials "3. Consolidated financial statements (7) Notes to consolidated financial statements" on page 14 for further details.

(3) Number of common shares issued including treasury stock as of December 31, 2017	:	1,234,024,216
Number of common shares issued including treasury stock as of December 31, 2016	:	1,241,119,180
Number of treasury stock as of December 31, 2017	:	362,159
Number of treasury stock as of December 31, 2016	:	415,691
Weighted-average number of common shares outstanding during the year ended December 31, 2017	:	1,237,008,204
Weighted-average number of common shares outstanding during the year ended December 31, 2016	:	1,243,069,436

Note: Please refer to the accompanying materials "3. Consolidated financial statements (9) Per common share information" on page 18.

#### (Reference) Non-consolidated Financial Highlights

(1) Results of operations (In millions of yen, except per common share amounts)

	Year ended Dec. 31, 2017	Change [%]	Year ended Dec. 31, 2016	Adjusted change [%]
Net sales	¥ 844,115	11.8	¥ 754,753	(5.4)
Operating income	¥ 82,161	95.8	¥ 41,968	(31.4)
Ordinary income	¥ 127,401	87.2	¥ 68,049	(20.3)
Net income	¥ 95,431	84.6	¥ 51,704	(15.5)
Net income per common share				
Basic	¥ 77.12		¥ 41.58	
Diluted	-		-	

Note:

From April 1, 2015, Kubota Corporation changed its fiscal year-end from March 31 to December 31. For this reason, the last fiscal year, which commenced on January 1, 2016 and ended on December 31, 2016, is different from the preceding fiscal year, which commenced on April 1, 2015 and ended on December 31, 2015. Accordingly, adjusted change [%] for the year ended December 31, 2016 represents the percentage change from the same period in the prior year that commenced on January 1, 2015 and ended on December 31, 2015.

(2) Financial position (In millions of yen, except per common share amounts)

	Dec. 31, 2017	Dec. 31, 2016
Total assets	¥ 1,181,552	¥ 1,084,391
Net assets	¥ 619,055	¥ 570,276
Equity	¥ 619,055	¥ 570,276
Ratio of equity to total assets	52.4%	52.6%
Net assets per common share	¥ 501.66	¥ 459.49

(Information on the status of the audit by the independent auditor)

This release has not been audited in accordance with the Financial Instruments and Exchange Law of Japan by the independent auditor because this release is not subject to audit.

As of the date of this release, the consolidated financial statements for the year ended December 31, 2017 of Kubota Corporation and its subsidiaries (hereinafter, the "Company") are currently being audited.

#### < Cautionary Statements with Respect to Forward-Looking Statements >

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

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## **1. Review of operations and financial condition**

### **(1) Review of operations**

#### **a) Summary of the results of operations for the year ended December 31, 2017**

For the year ended December 31, 2017, revenues of Kubota Corporation and its subsidiaries (hereinafter, the "Company") increased by ¥155.4 billion [9.7%] from the prior year to ¥1,751.5 billion.

Domestic revenues increased by ¥12.8 billion [2.3%] to ¥564.2 billion from the prior year because of increased revenues in Farm & Industrial Machinery, which was mainly due to strong sales of agricultural-related products, and tractors. Meanwhile, revenues in Water & Environment, whose businesses are mainly related to public works projects, remained at almost the same level as in the prior year.

Overseas revenues increased by ¥142.7 billion [13.7%] to ¥1,187.3 billion from the prior year. Sales of construction machinery and engines increased significantly due to worldwide favorable business conditions, and strong demand in the construction industry. Sales of tractors increased steadily as well. On the other hand, sales of ductile iron pipes (mainly sold in the Middle East) were weak due to stagnant crude oil prices.

Operating income increased by ¥10.0 billion [5.3%] from the prior year to ¥198.8 billion. The positive impact of increased revenues compensated for increases in selling expenses, and material costs. Income before income taxes and equity in net income of affiliated companies (which was equivalent to operating income plus other income of ¥14.1 billion) increased by ¥15.9 billion [8.1%] from the prior year to ¥212.9 billion. Income taxes increased by ¥13.4 billion to ¥69.9 billion, due partly to the reversal of deferred tax assets in preparation for the federal corporate tax rate cut in the United States in 2018. Equity in net income of affiliated companies was ¥2.4 billion. Net income attributable to Kubota Corporation increased by ¥4.0 billion [3.0%] from the prior year to ¥136.4 billion after deducting ¥8.9 billion in net income attributable to non-controlling interests.

#### **b) Review of operations by reporting segment**

##### **1) Farm & Industrial Machinery**

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

Revenues in this segment increased by 12.9% from the prior year to ¥1,436.6 billion, and accounted for 82.0% of consolidated revenues.

Domestic revenues increased by 4.6% to ¥294.5 billion, as sales of tractors recovered from stagnating sales caused by stronger emissions regulations. Sales of agricultural-related products and construction machinery also increased.

Overseas revenues increased by 15.3% to ¥1,142.1 billion. In North America, sales of compact tractors remained strong due to the expanding market for compact tractors used by home owners, and others. Sales of construction machinery, and engines grew as well. A business acquired in the prior year also contributed to higher revenues. In Europe, sales of construction machinery and engines grew in response to steady demand for construction of housing and infrastructure, as well as higher sales in the implements business in the agriculture-related market. In Asia outside Japan, revenues in Thailand resulted in a minor increase. Sales of farm equipment were strong over the first half of the year, but severe rain caused second-half sales to stagnate. Revenues in China increased significantly due to an increase in sales of rice transplanters, construction machinery, and engines. Sales of combines were weak due to the reduction in budgeted government subsidies.

Operating income in Farm & Industrial Machinery increased by 7.1% from the prior year to ¥198.2 billion, mainly due to the positive impact of increased sales in domestic and overseas markets, which compensated for some negative impacts, such as increased selling expenses.

## 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).

Revenues in this segment decreased by 2.9% from the prior year to ¥286.1 billion, and accounted for 16.3% of consolidated revenues.

Domestic revenues increased by 0.1% from the prior year to ¥241.1 billion. Revenues from pipe-related products decreased slightly mainly due to lower revenues from the construction business, although revenues from plastic pipes increased. Revenues from environment-related products decreased as well, due to a decrease in sales in operations and maintenance related to facilities business. On the other hand, revenues from social infrastructure-related products increased in response to increased sales from spiral-welded steel pipes business.

Overseas revenues decreased by 16.2% to ¥45.0 billion, mainly due to lower export sales of ductile iron pipes to the Middle East.

Operating income in Water & Environment increased by 18.3% from the prior year to ¥26.2 billion. Profitability was improved as the Company reduced fixed costs and selected orders based strictly on profitability. These positive factors exceeded the negative effects of lower revenues in the overseas markets.

## 3) Other

Other is mainly comprised of a variety of services.

Revenues in this segment decreased by 1.9% from the prior year to ¥28.9 billion, and accounted for 1.7% of consolidated revenues.

Operating income in Other decreased by 21.1% to ¥2.9 billion.

## c) Forecasts for the year ending December 31, 2018

Kubota Corporation has resolved to voluntarily adopt International Financial Reporting Standards (hereinafter "IFRS") from the first quarter of the fiscal year ending December 31, 2018. Therefore, the following consolidated financial forecasts have been calculated in accordance with IFRS. The IFRS financial results for the year ended December 31, 2017, which have been used to calculate changes from the prior year, are approximate values and subject to change depending on the financial audit results.

The Company forecasts consolidated revenues for the year ending December 31, 2018 to be ¥1,820.0 billion, an increase of ¥68.5 billion. Domestic revenues are forecast to increase since revenues in Farm & Industrial Machinery and Water & Environment are expected to increase.

Overseas revenues are also forecast to increase due to an expansion of overseas revenues in each region, such as North America and Asia outside Japan, in Farm & Industrial Machinery. Meanwhile, revenues in Water & Environment are forecast to be at almost the same level as in the prior year.

The Company forecasts that operating profit will be ¥213.0 billion, an increase of ¥12.5 billion. This result is mainly due to the positive impact of increased revenues in domestic and overseas markets. The Company expects profit before income taxes for the next fiscal year to be ¥219.0 billion, an increase of ¥4.4 billion. Profit attributable to owners of the parent is forecast to be ¥151.0 billion, an increase of ¥16.4 billion.

(These forecasts are based on the assumption of exchange rates of ¥110=US\$1 and ¥130=€1.)

**(2) Financial condition****a) Assets, liabilities, and equity**

Total assets at December 31, 2017 were ¥2,853.9 billion, an increase of ¥183.3 billion from the prior fiscal year-end. With respect to assets, trade accounts increased due to expanded sales in the overseas market. In addition, short and long-term finance receivables increased due to expansion in sales financing operations in North America, where retail sales were strong.

With respect to liabilities, trade notes and accounts payable increased. In addition, the aggregated amount of interest-bearing debt, which is composed of short-term borrowings, current portion of long-term debt, and long-term debt, increased. Equity was higher due to cumulative retained earnings, and improved accumulated other comprehensive income. The shareholders' equity ratio stood at 45.6%, 0.7 percent higher than at the prior fiscal year-end.

**b) Cash flows**

Net cash provided by operating activities during the year ended December 31, 2017 was ¥222.3 billion, an increase of ¥37.3 billion in net cash inflow compared with the prior year. This increase resulted from an increase in net income, and changes in working capital, such as inventories, and trade notes and accounts payable.

Net cash used in investing activities was ¥130.3 billion, a decrease of ¥37.2 billion in net cash outflow compared to the prior year. This result was mainly due to a decrease in cash outflow related to business acquisitions, while cash outflow related to an increase in finance receivables rose.

Net cash used in financing activities was ¥32.6 billion, as compared to ¥11.4 billion of net cash inflow for the prior year, mainly resulting from a decrease in net cash inflow from borrowings.

As a result of the above, and after taking into account the effects from exchange rate changes, cash and cash equivalents at December 31, 2017 were ¥230.7 billion, an increase of ¥61.3 billion from the beginning of the current fiscal year.

**( Reference ) Cash flow indices**

	Year ended Dec. 31, 2017	Year ended Dec. 31, 2016
Ratio of shareholders' equity to total assets [%]	45.6	44.9
Equity ratio based on market capitalization [%]	95.5	77.5
Interest-bearing debt / Net cash provided by operating activities [year]	3.8	4.4
Interest coverage ratio [times]	11.7	12.5

Note:

Equity ratio based on market capitalization: market capitalization / total assets

Interest coverage ratio: net cash provided by operating activities / interest paid

Each ratio is calculated based on the figures in the consolidated financial statements. Market capitalization is calculated based on closing price at the end of the fiscal year multiplied by the number of shares outstanding at the end of the fiscal year, excluding treasury stock. Net cash provided by operating activities is the amount in the consolidated statements of cash flows. Interest-bearing debt includes short-term borrowings, current portion of long-term debt, and long-term debt in the consolidated balance sheets. Additionally, interest paid is the amount of cash paid during the fiscal year for interest in the consolidated statements of cash flows.

## **2. Basic rationale for selection of accounting standards**

Kubota Corporation will voluntarily adopt IFRS from the 1st quarter of the fiscal year ending December 31, 2018.

**< Cautionary Statements with Respect to Forward-Looking Statements >**

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



### 3. Consolidated financial statements

#### (1) Consolidated balance sheets

Assets

(In millions of yen)

	Dec. 31, 2017		Dec. 31, 2016		Change
	Amount	%	Amount	%	Amount
<b>Current assets:</b>					
Cash and cash equivalents	230,720		169,416		61,304
Notes and accounts receivable:					
Trade notes	77,618		75,798		1,820
Trade accounts	573,337		559,488		13,849
Less: Allowance for doubtful notes and accounts receivable	(2,792)		(2,472)		(320)
Total notes and accounts receivable-net	648,163		632,814		15,349
Short-term finance receivables-net	264,748		244,184		20,564
Inventories	362,518		356,180		6,338
Other current assets	109,375		160,480		(51,105)
Total current assets	1,615,524	56.6	1,563,074	58.5	52,450
<b>Investments and long-term finance receivables:</b>					
Investments in and loans receivable from affiliated companies	29,362		28,517		845
Other investments	145,683		140,667		5,016
Long-term finance receivables-net	578,185		508,289		69,896
Total investments and long-term finance receivables	753,230	26.4	677,473	25.4	75,757
<b>Property, plant, and equipment:</b>					
Land	89,884		82,104		7,780
Buildings	313,303		292,898		20,405
Machinery and equipment	506,828		491,040		15,788
Construction in progress	9,229		17,378		(8,149)
Total property, plant, and equipment	919,244		883,420		35,824
Less: Accumulated depreciation	(585,007)		(569,189)		(15,818)
Net property, plant, and equipment	334,237	11.7	314,231	11.8	20,006
<b>Other assets:</b>					
Goodwill and intangible assets-net	47,804		46,057		1,747
Long-term trade accounts receivable	40,423		39,852		571
Other	63,609		30,658		32,951
Less: Allowance for doubtful non-current receivables	(897)		(763)		(134)
Total other assets	150,939	5.3	115,804	4.3	35,135
<b>Total assets</b>	<b>2,853,930</b>	<b>100.0</b>	<b>2,670,582</b>	<b>100.0</b>	<b>183,348</b>

Liabilities and equity

(In millions of yen)

	Dec. 31, 2017		Dec. 31, 2016		Change
	Amount	%	Amount	%	Amount
<b>Current liabilities:</b>					
Short-term borrowings	182,461		193,883		(11,422)
Trade notes payable	176,987		157,471		19,516
Trade accounts payable	109,134		98,388		10,746
Advances received from customers	9,075		6,927		2,148
Notes and accounts payable for capital expenditures	17,852		24,321		(6,469)
Accrued payroll costs	37,657		35,902		1,755
Accrued expenses	67,003		64,662		2,341
Income taxes payable	37,221		19,650		17,571
Other current liabilities	99,984		90,197		9,787
Current portion of long-term debt	181,698		145,212		36,486
<b>Total current liabilities</b>	<b>919,072</b>	<b>32.2</b>	<b>836,613</b>	<b>31.3</b>	<b>82,459</b>
<b>Long-term liabilities:</b>					
Long-term debt	472,422		478,894		(6,472)
Accrued retirement and pension costs	12,804		12,091		713
Other long-term liabilities	64,197		71,059		(6,862)
<b>Total long-term liabilities</b>	<b>549,423</b>	<b>19.3</b>	<b>562,044</b>	<b>21.1</b>	<b>(12,621)</b>
<b>Equity:</b>					
Kubota Corporation shareholders' equity:					
Common stock	84,100		84,070		30
Capital surplus	85,037		84,605		432
Legal reserve	19,539		19,539		—
Retained earnings	1,046,237		961,403		84,834
Accumulated other comprehensive income	66,606		49,336		17,270
Treasury stock, at cost	(174)		(192)		18
<b>Total Kubota Corporation shareholders' equity</b>	<b>1,301,345</b>	<b>45.6</b>	<b>1,198,761</b>	<b>44.9</b>	<b>102,584</b>
Non-controlling interests	84,090	2.9	73,164	2.7	10,926
<b>Total equity</b>	<b>1,385,435</b>	<b>48.5</b>	<b>1,271,925</b>	<b>47.6</b>	<b>113,510</b>
<b>Total liabilities and equity</b>	<b>2,853,930</b>	<b>100.0</b>	<b>2,670,582</b>	<b>100.0</b>	<b>183,348</b>

**(2) Consolidated statements of income**

(In millions of yen)

	Year ended Dec. 31, 2017		Year ended Dec. 31, 2016		Change	
	Amount	%	Amount	%	Amount	%
Revenues	1,751,535	100.0	1,596,091	100.0	155,444	9.7
Cost of revenues	1,240,707	70.8	1,122,546	70.3	118,161	10.5
Selling, general, and administrative expenses	311,737	17.8	283,849	17.8	27,888	9.8
Other operating expenses-net	265	0.0	919	0.1	(654)	(71.2)
<b>Operating income</b>	<b>198,826</b>	<b>11.4</b>	<b>188,777</b>	<b>11.8</b>	<b>10,049</b>	<b>5.3</b>
Other income (expenses):						
Interest and dividend income	7,383		7,049		334	
Interest expense	(916)		(503)		(413)	
Gain on sales of securities-net	8,403		6,826		1,577	
Foreign exchange gain (loss)-net	8,112		(3,556)		11,668	
Other-net	(8,907)		(1,622)		(7,285)	
<b>Other income (expenses)-net</b>	<b>14,075</b>		<b>8,194</b>		<b>5,881</b>	
<b>Income before income taxes and equity in net income of affiliated companies</b>	<b>212,901</b>	<b>12.2</b>	<b>196,971</b>	<b>12.3</b>	<b>15,930</b>	<b>8.1</b>
Income taxes:						
Current	69,856		56,114		13,742	
Deferred	66		432		(366)	
<b>Total income taxes</b>	<b>69,922</b>		<b>56,546</b>		<b>13,376</b>	
<b>Equity in net income of affiliated companies</b>	<b>2,366</b>		<b>2,440</b>		<b>(74)</b>	
<b>Net income</b>	<b>145,345</b>	<b>8.3</b>	<b>142,865</b>	<b>9.0</b>	<b>2,480</b>	<b>1.7</b>
Less: Net income attributable to non-controlling interests	8,900		10,380		(1,480)	
<b>Net income attributable to Kubota Corporation</b>	<b>136,445</b>	<b>7.8</b>	<b>132,485</b>	<b>8.3</b>	<b>3,960</b>	<b>3.0</b>

### (3) Consolidated statements of comprehensive income (loss)

(In millions of yen)

	Year ended Dec. 31, 2017	Year ended Dec. 31, 2016	Change
Net income	145,345	142,865	2,480
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments	9,099	(24,324)	33,423
Unrealized gains on securities	5,895	2,587	3,308
Pension liability adjustments	6,102	(8,529)	14,631
Total other comprehensive income (loss)	21,096	(30,266)	51,362
Comprehensive income	166,441	112,599	53,842
Less: Comprehensive income attributable to non-controlling interests	12,726	9,879	2,847
Comprehensive income attributable to Kubota Corporation	153,715	102,720	50,995

### (4) Consolidated statements of changes in equity

(In millions of yen)

	Shares of common stock outstanding (thousands of shares)	Shareholders' Equity						Non- controlling interests	Total equity
		Common stock	Capital surplus	Legal reserve	Retained earnings	Accumulated other comprehensive income	Treasury stock, at cost		
Balance at Dec. 31, 2015	1,244,504	84,070	87,838	19,539	869,769	79,292	(198)	78,248	1,218,558
Net income					132,485			10,380	142,865
Other comprehensive loss						(29,765)		(501)	(30,266)
Cash dividends paid to Kubota Corporation shareholders, ¥28.00 per common share					(34,839)				(34,839)
Cash dividends paid to non-controlling interests								(2,270)	(2,270)
Purchases and sales of treasury stock	(3,801)				(1)		(6,005)		(6,006)
Retirement of treasury stock					(6,011)		6,011		—
Changes in ownership interests in subsidiaries			(3,233)			(191)		(12,693)	(16,117)
Balance at Dec. 31, 2016	1,240,703	84,070	84,605	19,539	961,403	49,336	(192)	73,164	1,271,925
Net income					136,445			8,900	145,345
Other comprehensive income						17,270		3,826	21,096
Cash dividends paid to Kubota Corporation shareholders, ¥31.00 per common share					(38,421)				(38,421)
Cash dividends paid to non-controlling interests								(3,744)	(3,744)
Purchases and sales of treasury stock	(7,076)		144				(13,172)		(13,028)
Retirement of treasury stock					(13,190)		13,190		—
Restricted stock compensation	35	30	15						45
Changes in ownership interests in subsidiaries			273					1,944	2,217
Balance at Dec. 31, 2017	1,233,662	84,100	85,037	19,539	1,046,237	66,606	(174)	84,090	1,385,435

**(5) Consolidated statements of cash flows**

(In millions of yen)

	Year ended Dec. 31, 2017	Year ended Dec. 31, 2016	Change
<b>Operating activities:</b>			
Net income	145,345	142,865	
Depreciation and amortization	45,296	43,371	
Gain on sales of securities-net	(8,403)	(6,826)	
Loss from disposal of fixed assets-net	893	203	
Equity in net income of affiliated companies	(2,366)	(2,440)	
Increase in trade notes and accounts receivable	(19,067)	(6,641)	
Decrease (increase) in inventories	3,431	(5,339)	
Increase in other current assets	(9,850)	(9,909)	
Increase (decrease) in trade notes and accounts payable	26,795	(1,689)	
Increase in income taxes payable	17,363	14,368	
Increase in other current liabilities	14,648	12,381	
Decrease in accrued retirement and pension costs	(1,606)	(2,521)	
Other	9,809	7,155	
<b>Net cash provided by operating activities</b>	<b>222,288</b>	<b>184,978</b>	<b>37,310</b>
<b>Investing activities:</b>			
Purchases of fixed assets	(64,409)	(56,139)	
Proceeds from sales of property, plant, and equipment	2,574	1,616	
Proceeds from sales and redemption of investments	11,990	9,673	
Acquisition of businesses, net of cash acquired	(1,097)	(42,396)	
Increase in finance receivables	(429,076)	(362,325)	
Collection of finance receivables	340,195	294,190	
Net decrease in short-term loans receivable from affiliated companies	2,838	1,502	
Net decrease (increase) in time deposits	14,930	(8,649)	
Other	(8,284)	(4,997)	
<b>Net cash used in investing activities</b>	<b>(130,339)</b>	<b>(167,525)</b>	<b>37,186</b>
<b>Financing activities:</b>			
Proceeds from issuance of long-term debt	205,677	225,809	
Repayments of long-term debt	(165,954)	(170,685)	
Net (decrease) increase in short-term borrowings	(17,291)	15,851	
Payments of cash dividends	(38,421)	(34,839)	
Purchases of treasury stock	(13,197)	(6,006)	
Purchases of non-controlling interests	—	(16,496)	
Other	(3,389)	(2,270)	
<b>Net cash (used in) provided by financing activities</b>	<b>(32,575)</b>	<b>11,364</b>	<b>(43,939)</b>
Effect of exchange rate changes on cash and cash equivalents	1,930	(5,687)	7,617
<b>Net increase in cash and cash equivalents</b>	<b>61,304</b>	<b>23,130</b>	
<b>Cash and cash equivalents, beginning of year</b>	<b>169,416</b>	<b>146,286</b>	
<b>Cash and cash equivalents, end of year</b>	<b>230,720</b>	<b>169,416</b>	<b>61,304</b>

(In millions of yen)

Notes:			
Cash paid during the year for:			
Interest	19,073	14,785	4,288
Income taxes, net of refunds	56,439	49,898	6,541

## **(6) Notes to the going concern assumption**

None

## **(7) Notes to consolidated financial statements**

### **a) Summary of accounting policies**

The accompanying consolidated financial information has been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

### **b) Consolidated subsidiaries and affiliated companies under the equity method**

173 subsidiaries are consolidated.

Major consolidated subsidiaries:	Domestic	Kubota Credit Co., Ltd. Kubota ChemiX Co., Ltd.
	Overseas	Kubota North America Corporation Kubota Tractor Corporation Kubota Credit Corporation, U.S.A. Kubota Manufacturing of America Corporation Kubota Industrial Equipment Corporation Kubota Engine America Corporation Great Plains Manufacturing, Inc Kubota Canada Ltd. Kubota Holdings Europe B.V. Kubota Europe S.A.S. Kubota Baumaschinen GmbH Kverneland AS Kubota China Holdings Co., Ltd. Kubota Agricultural Machinery (Suzhou) Co., Ltd. Kubota Construction Machinery (Wuxi) Co., Ltd. Kubota China Financial Leasing Ltd. SIAM KUBOTA Corporation Co., Ltd. Siam Kubota Leasing Co., Ltd. Kubota Engine (Thailand) Co., Ltd. Kubota Tractor Australia Pty Ltd

14 affiliated companies are accounted for by the equity method.

Major affiliated company:	Domestic	KMEW Co., Ltd.
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### **c) Changes in accounting policies**

On January 1, 2017, the Company adopted a new accounting standard related to simplifying the measurement of inventory. This standard simplifies the subsequent measurement of inventory by requiring the entities to measure inventory at the lower of cost or net realizable value. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

On January 1, 2017, the Company adopted a new accounting standard related to the classification of deferred taxes on the consolidated balance sheets. This standard requires that deferred tax assets and deferred tax liabilities be classified as non-current in a classified statement of financial position. The Company did not retrospectively adjust the consolidated financial statements. The carrying amounts of the current portion of deferred tax assets and deferred tax liabilities included in the Company's consolidated balance sheet at December 31, 2016 were ¥46,798 million and ¥160 million, respectively.

**d) Changes in accounting estimate**

Previously, the Company used the declining-balance method for calculating the depreciation of property, plant, and equipment; however, effective from the beginning of the current fiscal year, the Company changed its depreciation method to the straight-line method. This change resulted in an increase of net income attributable to Kubota Corporation for the year ended December 31, 2017 by ¥1,050 million, as compared to the amounts computable under the previous method.

## **(8) Consolidated segment information**

### **a) Reportable segments**

Year ended December 31, 2017 (January 1, 2017 - December 31, 2017)

(In millions of yen)

		Farm & Industrial Machinery	Water & Environment	Other	Adjustments	Consolidated
Revenues	External customers	1,436,578	286,095	28,862	—	1,751,535
	Intersegment	334	2,021	26,642	(28,997)	—
Total		1,436,912	288,116	55,504	(28,997)	1,751,535
Operating income		198,166	26,230	2,856	(28,426)	198,826
Identifiable assets at Dec. 31, 2017		2,251,845	242,859	139,640	219,586	2,853,930
Depreciation and amortization		34,944	6,511	620	3,221	45,296
Capital expenditures		43,222	5,178	557	3,270	52,227

Year ended December 31, 2016 (January 1, 2016 - December 31, 2016)

(In millions of yen)

		Farm & Industrial Machinery	Water & Environment	Other	Adjustments	Consolidated
Revenues	External customers	1,272,144	294,530	29,417	—	1,596,091
	Intersegment	455	1,744	25,951	(28,150)	—
Total		1,272,599	296,274	55,368	(28,150)	1,596,091
Operating income		184,991	22,166	3,622	(22,002)	188,777
Identifiable assets at Dec. 31, 2016		2,121,941	249,184	140,975	158,482	2,670,582
Depreciation and amortization		32,735	7,054	500	3,082	43,371
Capital expenditures		54,637	7,834	788	2,148	65,407

#### Notes:

1. "Adjustments" include the elimination of intersegment transfers and the unallocated corporate expenses that cannot be apportioned to reportable segments and corporate assets. Corporate assets mainly consist of certain assets of Kubota Corporation, such as cash and cash equivalents, securities and assets related to administration departments.
2. The aggregated amounts of operating income are equivalent to those presented in the consolidated statements of income. Refer to the consolidated statements of income for the reconciliation of operating income to income before income taxes and equity in net income of affiliated companies.
3. Intersegment transfers are recorded at values that approximate market prices.



**b) Revenues from external customers by product group**

Information about revenues from external customers by product group (In millions of yen)

	Year ended Dec. 31, 2017	Year ended Dec. 31, 2016
Farm Equipment and Engines	1,152,533	1,032,237
Construction Machinery	257,419	212,951
Electronic Equipped Machinery	26,626	26,956
Farm & Industrial Machinery	1,436,578	1,272,144
Pipe-related Products	163,665	170,451
Environment-related Products	78,820	81,506
Social Infrastructure-related Products	43,610	42,573
Water & Environment	286,095	294,530
Other	28,862	29,417
Total	1,751,535	1,596,091

**c) Geographic information**

Information about revenues from external customers by destination (In millions of yen)

	Year ended Dec. 31, 2017	Year ended Dec. 31, 2016
Japan	564,213	551,441
North America	546,096	479,947
Europe	226,663	192,478
Asia outside Japan	342,908	306,030
Other areas	71,655	66,195
Total	1,751,535	1,596,091

Notes:

1. Revenues from North America included those from the United States of ¥482,447 million and ¥429,250 million for the year ended December 31, 2017 and 2016, respectively.
2. There was no single customer from whom revenues exceeded 10% of total consolidated revenues of the Company.

Information about property, plant, and equipment based on physical location (In millions of yen)

	Dec. 31, 2017	Dec. 31, 2016
Japan	189,768	181,015
North America	56,439	59,327
Europe	30,042	21,134
Asia outside Japan	54,618	49,054
Other areas	3,370	3,701
Total	334,237	314,231

## **(9) Per common share information**

(In yen)

	Year ended Dec. 31, 2017	Year ended Dec. 31, 2016
Kubota Corporation shareholders' equity per common share	¥ 1,054.86	¥ 966.19
Basic net income attributable to Kubota Corporation per common share	¥ 110.30	¥ 106.58

The numerator and denominator used to calculate basic net income attributable to Kubota Corporation per common share are presented in the following table.

The Company introduced 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 securities from common shares.

### Numerators

(In millions of yen)

	Year ended Dec. 31, 2017	Year ended Dec. 31, 2016
Net income attributable to Kubota Corporation	¥ 136,445	¥ 132,485
Net income available to participating securities	¥ 2	—
Net income available to common shareholders	¥ 136,443	¥ 132,485

### Denominators

(In thousands of shares)

	Year ended Dec. 31, 2017	Year ended Dec. 31, 2016
Weighted-average number of common shares outstanding	1,237,023	1,243,069
Weighted-average number of participating securities	15	—
Weighted-average number of common shares	1,237,008	1,243,069

Note:

Diluted net income attributable to Kubota Corporation per common share is not presented because there are no dilutive securities.

## **(10) Subsequent events**

None

**(11) Consolidated revenues by product group**

(In millions of yen)

	Year ended Dec. 31, 2017		Year ended Dec. 31, 2016		Change	
	Amount	%	Amount	%	Amount	%
<b>Farm Equipment and Engines</b>	<b>1,152,533</b>	<b>65.8</b>	<b>1,032,237</b>	<b>64.7</b>	<b>120,296</b>	<b>11.7</b>
Domestic	234,051		221,792		12,259	5.5
Overseas	918,482		810,445		108,037	13.3
<b>Construction Machinery</b>	<b>257,419</b>	<b>14.7</b>	<b>212,951</b>	<b>13.3</b>	<b>44,468</b>	<b>20.9</b>
Domestic	35,310		34,084		1,226	3.6
Overseas	222,109		178,867		43,242	24.2
<b>Electronic Equipped Machinery</b>	<b>26,626</b>	<b>1.5</b>	<b>26,956</b>	<b>1.7</b>	<b>(330)</b>	<b>(1.2)</b>
Domestic	25,158		25,612		(454)	(1.8)
Overseas	1,468		1,344		124	9.2
<b>Farm &amp; Industrial Machinery</b>	<b>1,436,578</b>	<b>82.0</b>	<b>1,272,144</b>	<b>79.7</b>	<b>164,434</b>	<b>12.9</b>
Domestic	294,519	16.8	281,488	17.6	13,031	4.6
Overseas	1,142,059	65.2	990,656	62.1	151,403	15.3
<b>Pipe-related Products</b>	<b>163,665</b>	<b>9.3</b>	<b>170,451</b>	<b>10.7</b>	<b>(6,786)</b>	<b>(4.0)</b>
Domestic	149,306		149,960		(654)	(0.4)
Overseas	14,359		20,491		(6,132)	(29.9)
<b>Environment-related Products</b>	<b>78,820</b>	<b>4.5</b>	<b>81,506</b>	<b>5.1</b>	<b>(2,686)</b>	<b>(3.3)</b>
Domestic	68,281		69,884		(1,603)	(2.3)
Overseas	10,539		11,622		(1,083)	(9.3)
<b>Social Infrastructure-related Products</b>	<b>43,610</b>	<b>2.5</b>	<b>42,573</b>	<b>2.7</b>	<b>1,037</b>	<b>2.4</b>
Domestic	23,546		21,014		2,532	12.0
Overseas	20,064		21,559		(1,495)	(6.9)
<b>Water &amp; Environment</b>	<b>286,095</b>	<b>16.3</b>	<b>294,530</b>	<b>18.5</b>	<b>(8,435)</b>	<b>(2.9)</b>
Domestic	241,133	13.7	240,858	15.1	275	0.1
Overseas	44,962	2.6	53,672	3.4	(8,710)	(16.2)
<b>Other</b>	<b>28,862</b>	<b>1.7</b>	<b>29,417</b>	<b>1.8</b>	<b>(555)</b>	<b>(1.9)</b>
Domestic	28,561	1.7	29,095	1.8	(534)	(1.8)
Overseas	301	0.0	322	0.0	(21)	(6.5)
<b>Total</b>	<b>1,751,535</b>	<b>100.0</b>	<b>1,596,091</b>	<b>100.0</b>	<b>155,444</b>	<b>9.7</b>
Domestic	564,213	32.2	551,441	34.5	12,772	2.3
Overseas	1,187,322	67.8	1,044,650	65.5	142,672	13.7

**(12) Anticipated consolidated revenues by reportable segment**

(In billions of yen)

	Year ending Dec. 31, 2018 (IFRS)		Year ended Dec. 31, 2017 (IFRS)		Change	
	Amount	%	Amount	%	Amount	%
Domestic	297.0		294.5		2.5	0.8
Overseas	1,200.0		1,142.0		58.0	5.1
Farm & Industrial Machinery	1,497.0	82.3	1,436.5	82.0	60.5	4.2
Domestic	250.0		241.1		8.9	3.7
Overseas	45.0		45.0		-	-
Water & Environment	295.0	16.2	286.1	16.3	8.9	3.1
Domestic	28.0		28.6		(0.6)	(2.1)
Overseas	—		0.3		(0.3)	(100.0)
Other	28.0	1.5	28.9	1.7	(0.9)	(3.1)
Total	1,820.0	100.0	1,751.5	100.0	68.5	3.9

  

Domestic	575.0	31.6	564.2	32.2	10.8	1.9
Overseas	1,245.0	68.4	1,187.3	67.8	57.7	4.9

Notes:

Kubota Corporation has resolved to voluntarily adopt IFRS from the 1st quarter of the fiscal year ending December 31, 2018. Therefore, the above consolidated financial forecasts have been calculated in accordance with IFRS. The IFRS financial results for the year ended December 31, 2017, which have been used to calculate changes from the prior year, are approximate values and subject to change depending on the accounting audit results.

## 4. Results of operations for the three months ended December 31, 2017

### (1) Consolidated statements of income

(In millions of yen)

	Three months ended Dec. 31, 2017		Three months ended Dec. 31, 2016		Change	
	Amount	%	Amount	%	Amount	%
Revenues	484,884	100.0	414,715	100.0	70,169	16.9
Cost of revenues	341,724	70.5	293,985	70.9	47,739	16.2
Selling, general, and administrative expenses	89,050	18.4	79,957	19.3	9,093	11.4
Other operating income-net	(227)	(0.1)	(47)	(0.0)	(180)	-
Operating income	54,337	11.2	40,820	9.8	13,517	33.1
Other income (expenses):						
Interest and dividend income	2,536		2,803		(267)	
Interest expense	(296)		(163)		(133)	
Gain on sales of securities-net	103		4,730		(4,627)	
Foreign exchange gain-net	1,266		4,360		(3,094)	
Other-net	(1,902)		2,255		(4,157)	
Other income (expenses)-net	1,707		13,985		(12,278)	
Income before income taxes and equity in net income of affiliated companies	56,044	11.6	54,805	13.2	1,239	2.3
Income taxes	23,612		13,576		10,036	
Equity in net income of affiliated companies	730		869		(139)	
Net income	33,162	6.8	42,098	10.2	(8,936)	( 21.2 )
Less: Net income attributable to non-controlling interests	2,058		2,681		(623)	
Net income attributable to Kubota Corporation	31,104	6.4	39,417	9.5	(8,313)	( 21.1 )

Net income attributable to Kubota Corporation per common share

(In yen)

Basic	25.20	31.76	
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## **(2) Consolidated segment information**

### **a) Reportable segments**

Three months ended December 31, 2017 (October 1, 2017 - December 31, 2017)

(In millions of yen)

		Farm & Industrial Machinery	Water & Environment	Other	Adjustments	Consolidated
Revenues	External customers	394,984	82,605	7,295	—	484,884
	Intersegment	136	816	6,950	(7,902)	—
	Total	395,120	83,421	14,245	(7,902)	484,884
Operating income		56,363	5,341	805	(8,172)	54,337

Three months ended December 31, 2016 (October 1, 2016 - December 31, 2016)

(In millions of yen)

		Farm & Industrial Machinery	Water & Environment	Other	Adjustments	Consolidated
Revenues	External customers	325,360	81,625	7,730	—	414,715
	Intersegment	131	618	6,997	(7,746)	—
	Total	325,491	82,243	14,727	(7,746)	414,715
Operating income		39,515	5,286	977	(4,958)	40,820

Notes:

1. "Adjustments" include the elimination of intersegment transfers and the unallocated corporate expenses.
2. The aggregated amounts of operating income are equivalent to those presented in the consolidated statements of income. Refer to the consolidated statements of income for the reconciliation of operating income to income before income taxes and equity in net income of affiliated companies.
3. Intersegment transfers are recorded at values that approximate market prices.

### **b) Geographic information**

Information about revenues from external customers by destination

(In millions of yen)

	Three months ended Dec. 31, 2017	Three months ended Dec. 31, 2016
Japan	145,529	138,308
North America	173,628	142,995
Europe	58,390	45,482
Asia outside Japan	86,695	69,262
Other areas	20,642	18,668
Total	484,884	414,715

Notes:

1. Revenues from North America included those from the United States of ¥157,571 million and ¥130,946 million for the three months ended December 31, 2017 and 2016, respectively.
2. There was no single customer from whom revenues exceeded 10% of total consolidated revenues of the Company.

**(3) Consolidated revenues by product group**

(In millions of yen)

	Three months ended Dec. 31, 2017		Three months ended Dec. 31, 2016		Change	
	Amount	%	Amount	%	Amount	%
<b>Farm Equipment and Engines</b>	<b>312,573</b>	<b>64.5</b>	<b>262,220</b>	<b>63.2</b>	<b>50,353</b>	<b>19.2</b>
Domestic	50,769		47,093		3,676	7.8
Overseas	261,804		215,127		46,677	21.7
<b>Construction Machinery</b>	<b>75,196</b>	<b>15.5</b>	<b>56,381</b>	<b>13.6</b>	<b>18,815</b>	<b>33.4</b>
Domestic	12,393		11,606		787	6.8
Overseas	62,803		44,775		18,028	40.3
<b>Electronic Equipped Machinery</b>	<b>7,215</b>	<b>1.5</b>	<b>6,759</b>	<b>1.6</b>	<b>456</b>	<b>6.7</b>
Domestic	6,878		6,466		412	6.4
Overseas	337		293		44	15.0
<b>Farm &amp; Industrial Machinery</b>	<b>394,984</b>	<b>81.5</b>	<b>325,360</b>	<b>78.4</b>	<b>69,624</b>	<b>21.4</b>
Domestic	70,040	14.5	65,165	15.7	4,875	7.5
Overseas	324,944	67.0	260,195	62.7	64,749	24.9
<b>Pipe-related Products</b>	<b>51,579</b>	<b>10.6</b>	<b>51,171</b>	<b>12.4</b>	<b>408</b>	<b>0.8</b>
Domestic	45,585		44,667		918	2.1
Overseas	5,994		6,504		(510)	(7.8)
<b>Environment-related Products</b>	<b>19,526</b>	<b>4.0</b>	<b>19,559</b>	<b>4.7</b>	<b>(33)</b>	<b>(0.2)</b>
Domestic	16,319		15,131		1,188	7.9
Overseas	3,207		4,428		(1,221)	(27.6)
<b>Social Infrastructure-related Products</b>	<b>11,500</b>	<b>2.4</b>	<b>10,895</b>	<b>2.6</b>	<b>605</b>	<b>5.6</b>
Domestic	6,365		5,707		658	11.5
Overseas	5,135		5,188		(53)	(1.0)
<b>Water &amp; Environment</b>	<b>82,605</b>	<b>17.0</b>	<b>81,625</b>	<b>19.7</b>	<b>980</b>	<b>1.2</b>
Domestic	68,269	14.0	65,505	15.8	2,764	4.2
Overseas	14,336	3.0	16,120	3.9	(1,784)	(11.1)
<b>Other</b>	<b>7,295</b>	<b>1.5</b>	<b>7,730</b>	<b>1.9</b>	<b>(435)</b>	<b>(5.6)</b>
Domestic	7,220	1.5	7,638	1.9	(418)	(5.5)
Overseas	75	0.0	92	0.0	(17)	(18.5)
<b>Total</b>	<b>484,884</b>	<b>100.0</b>	<b>414,715</b>	<b>100.0</b>	<b>70,169</b>	<b>16.9</b>
Domestic	145,529	30.0	138,308	33.4	7,221	5.2
Overseas	339,355	70.0	276,407	66.6	62,948	22.8

## 5. Other

### (1) Changes of management (Effective as of March 23, 2018)

#### a) Appointment of new Directors

<u>Name</u>	<u>Current responsibility</u>
Shinji Sasaki	Senior Managing Executive Officer of Kubota corporation
Yutaro Shintaku	Corporate Adviser of Terumo Corporation, Director of Santen Pharmaceutical Co., Ltd., Director of J-Oil Mills, Inc., Executive Trustee of Tonen International Scholarship Foundation

\* Mr. Yutaro Shintaku is a candidate for Outside Director.

#### b) Retirement of Director (Expiration of the term of offices)

<u>Name</u>
Satoshi Iida

#### c) Appointment of new Audit & Supervisory Board Members

<u>Name</u>	<u>Current responsibility</u>
Yasuhiko Hiyama (full-time)	Executive Officer of Kubota corporation
Masaki Fujiwara (part-time)	Director and Senior Managing Executive Officer of Sansha Electric Manufacturing Co., Ltd.

\* Mr. Masaki Fujiwara is a candidate for Outside Audit & Supervisory Board Member.

#### d) Retirement of Audit & Supervisory Board Member (Expiration of the term of offices)

<u>Name</u>
Satoru Sakamoto (full-time)