KUBOTA CORP
Form 6-K
May 10, 2013
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6 - K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 of

the Securities Exchange Act of 1934

For the month of May 2013

Commission File Number: 1-07294

KUBOTA CORPORATION

(Translation of registrant s name into English)

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

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F :

Form 20-F __X__ Form 40-F ______

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1) :______

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7) :______

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Information furnished on this form:

EXHIBITS

Exhibit Number

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FOR IMMEDIATE RELEASE (FRIDAY, MAY 10, 2013)

RESULTS OF OPERATIONS FOR THE YEAR ENDED

MARCH 31, 2013 REPORTED BY KUBOTA CORPORATION

OSAKA, JAPAN, May 10, 2013 Kubota Corporation reported today its consolidated results of operations for the year ended March 31, 2013.

Consolidated Financial Highlights

1. Consolidated Results of Operations for the Fiscal Year Ended March 31, 2013

(1) Results of operations

(In millions of yen except per common share amounts)

	Year ended March 31, 2013	Change [%]	Year ended March 31, 2012	Change [%]
Revenues	¥ 1,167,628	15.8	¥ 1,008,019	8.0
Operating income	¥ 113,161	7.1	¥ 105,680	22.7
% of revenues	9.7%		10.5%	
Income before income taxes and equity in net income of affiliated companies	¥ 120,463	19.3	¥ 100,938	10.6
% of revenues	10.3%		10.0%	
Net income attributable to Kubota Corporation	¥ 73,688	19.7	¥ 61,552	12.3
% of revenues	6.3%		6.1%	
Net income attributable to Kubota Corporation per common share				
Basic	¥ 58.67		¥ 48.75	
Diluted				
Ratio of net income attributable to Kubota Corporation to shareholders equity	10.4%		9.6%	
Ratio of income before income taxes and equity in net income of affiliated companies to total assets	7.5%		7.1%	

Notes.

1. Change[%] represents percentage change from the prior year.
2. Comprehensive income for the years ended March 31, 2013 and 2012 were ¥141,770 million [195.0%] and ¥48,057 million [75.9%], respectively.
3. Equity in net income of affiliated companies for the years ended March 31, 2013 and 2012 were ¥1,426 million and ¥1,629 million, respectively.

(2) Financial position

(In millions of yen except per common share amounts)

	March 31, 2013	March 31, 2012
Total assets	¥ 1,743,670	¥ 1,487,669
Equity	¥ 810,608	¥ 707,214
Kubota Corporation shareholders equity	¥ 758,515	¥ 653,283

Ratio of Kubota Corporation shareholders equity to total assets	43.5%	43.9%
Kubota Corporation shareholders equity per common share	¥ 603.95	¥ 520.14

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(3) Summary of statements of cash flows

(In millions of yen)

	Year ended March 31, 2013	Year ended March 31, 2012
Net cash provided by operating activities	¥ 50,984	¥ 79,896
Net cash used in investing activities	(¥ 69,245)	(¥ 69,929)
Net cash provided by (used in) financing activities	¥ 21,655	(¥ 13,264)
Cash & cash equivalents, end of year	¥ 110,535	¥ 100,559

2. Cash dividends

(In millions of yen except per common share amounts)

	Cash dividends per common share							
	First quarter period	Second quarter period	Third quarter period	Year-end	Total	Annual cash dividends	Annual cash dividends as % to net income	Annual dividends as % to share-holders equity
Year ended March 31, 2013		¥ 8.00		¥ 9.00	¥ 17.00	¥ 21,358	29.0%	3.0%
Year ended March 31, 2012		¥ 7.00		¥ 8.00	¥ 15.00	¥ 18,846	30.8%	2.9%

Note.

Although the Company s basic policy for the return of profit to shareholders is to maintain stable dividends or raise dividends, the specific amount of cash dividends for each fiscal year is decided in consideration of the development of business performance, financial conditions and payout ratio including share buybacks. The specific amount of cash dividends for the year ending March 31, 2014 is not decided at this time and the Company will inform the amount as soon as a decision has been made.

3. Anticipated results of operations for the year ending March 31, 2014

(In millions of yen except per common share amounts)

	Six months ending September 30, 2013	Change [%]	Year ending March 31, 2014	Change [%]
Revenues	¥ 660,000	20.8	¥ 1,400,000	19.9
Operating income	¥ 78,000	45.4	¥ 160,000	41.4
Income before income taxes and equity in net income of affiliated companies	¥ 80,000	53.9	¥ 165,000	37.0
Net income attributable to Kubota Corporation	¥ 50,000	63.2	¥ 100,000	35.7
Net income attributable to Kubota Corporation per common share	¥ 39.81		¥ 79.62	

Notes.

Change [%] represents percentage change from the prior year.

Please refer to page 6 for further information related to the above mentioned anticipated results of operations.

4. Other

(1) Changes in material subsidiaries: None

(2) Changes in accounting principles, procedures, and presentations for consolidated financial statements

a) Changes due to the revision of accounting standards: None

b) Changes in matters other than a) above: None

(3)	Number of shares outstanding including treasury stock as of March 31, 2013	:	1,256,419,180
	Number of shares outstanding including treasury stock as of March 31, 2012	:	1,285,919,180
	Number of treasury stock as of March 31, 2013	:	502,202
	Number of treasury stock as of March 31, 2012	:	29,935,508
	Weighted average number of shares outstanding during the year ended March 31, 2013	:	1,255,950,622
	Weighted average number of shares outstanding during the year ended March 31, 2012	:	1,262,533,879

Please refer to (9) Per common share information on page 18.

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(Parent Company Only)

(Reference) Non-consolidated Financial Highlights

(1) Results of operations

(In millions of yen except per common share amounts)

	Year ended March 31, 2013	Change [%]	Year ended March 31, 2012	Change [%]
Net sales	¥ 674,739	8.3	¥ 622,817	10.2
Operating income	¥ 51,160	45.3	¥ 35,200	22.3
Ordinary income	¥ 63,885	53.3	¥ 41,668	23.2
Net income	¥ 41,846	40.8	¥ 29,709	44.9
Net income per common share				
Basic	¥ 33.30		¥ 23.52	
Diluted				

Note.

Change [%] represents percentage change from the prior year.

(2) Financial position

(In millions of yen except per common share amounts)

	March 31, 2013	March 31, 2012
Total assets	¥ 882,663	¥ 798,123
Net assets	¥ 479,561	¥ 438,860
Equity	¥ 479,561	¥ 438,860
Ratio of equity to total assets	54.3%	55.0%
Net assets per common share	¥ 381.71	¥ 349.30

(*Information on 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 Company s consolidated financial statements for the year ended March 31, 2013 are subject to procedures as part of the year-end.

< 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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Index to Accompanying Materials

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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 under review

For the year ended March 31, 2013, revenues of Kubota Corporation and its subsidiaries (hereinafter, the Company) increased ¥159.6 billion [15.8%], to ¥1,167.6 billion from the prior year.

In the domestic market, revenues increased ¥42.3 billion [8.5%], to ¥541.0 billion from the prior year. Domestic revenues in Farm & Industrial Machinery increased due to steady sales of farm equipment and robust growth in sales of construction machinery and engines. Revenues in Water & Environment also increased owing to sales growth of products related to public works. In addition, revenues in Other increased slightly.

In the overseas market, revenues increased ¥117.3 billion [23.0%], to ¥626.6 billion from the prior year. Overseas revenues in Farm & Industrial Machinery significantly expanded in North America, Europe and Asia outside Japan, and revenues in Water & Environment and Other rose. The ratio of overseas revenues to consolidated revenues was 53.7 %, 3.2 percentage points higher than at the prior year-end.

Operating income increased ¥7.5 billion [7.1%] from the prior year, to ¥113.2 billion. The increase in revenues in Farm & Industrial Machinery and Water & Environment and the declines in material costs exceeded the impact of increases in other costs, such as higher pension cost.

Income before income taxes and equity in net income of affiliated companies was ¥120.5 billion, ¥19.5 billion [19.3%] higher than in the prior year, because of gains in operating income and considerable improvement in other income, including the foreign exchange gain (loss)-net account. Income taxes were ¥40.7 billion, and equity in net income of affiliated companies was ¥1.4 billion. Accordingly, net income increased ¥15.1 billion [22.9%], to ¥81.1 billion. After deducting ¥7.5 billion of net income attributable to noncontrolling interests, net income attributable to Kubota Corporation was ¥73.7 billion, ¥12.1 billion [19.7%] higher than in the prior year.

b) Review of operations by reporting segment

1) Farm & Industrial Machinery

Farm & Industrial Machinery comprises farm equipment, engines, and construction machinery.

Revenues in this segment increased 19.2% from the prior year, to ¥851.0 billion, and accounted for 72.9% of consolidated revenues.

Domestic revenues increased 12.3%, to ¥264.3 billion. Domestic sales of farm equipment increased, because sales in the Tohoku area rose owing to the rebound from stagnation in the prior year, and sales in other areas also increased steadily due to higher rice prices and the government subsidies for farmers. Sales of construction machinery and engines substantially increased due to the demand for reconstruction work following the Great East Japan Earthquake.

Overseas revenues increased 22.6%, to ¥586.7 billion. In North America, sales of tractors increased substantially due to growth in demand owing to the market recovery. Sales of construction machinery increased significantly owing to the growth in replacement demand from rental companies, and sales of engines also expanded steadily. Revenues in Europe increased sharply due to the effect of the tractor implement business acquisition in the prior fiscal year and higher sales of engines, while sales of tractors and construction machinery decreased owing to the economic downturn and the negative impact of the yen appreciation. In Asia outside Japan, sales of farm equipment rose significantly, mainly in Thailand and China.

Operating income in this segment increased 10.4%, to ¥108.0 billion, due to increased revenues in Japan and overseas.

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2) Water & Environment

Water & Environment comprises pipe-related products (ductile iron pipes, plastic pipes, valves, pumps, and other products), environment-related products (environmental control plants and other products), and social infrastructure-related products (industrial castings, spiral welded steel pipes, vending machines, precision equipment, air-conditioning equipment, and other products).

Revenues in this segment increased 7.1%, to ¥282.1 billion from the prior year, and accounted for 24.1% of consolidated revenues.

Domestic revenues increased 5.6%, to ¥245.6 billion. Revenues in environment-related products rose significantly owing to higher sales of water and sewage treatment equipment and plants. In addition, revenues in pipe-related products and social infrastructure-related products also increased. Overseas revenues rose 19.2%, to ¥36.5 billion owing to increased sales in ductile iron pipes and valves.

Operating income in this segment increased 34.6%, to ¥23.5 billion, supported by steady revenues.

3) Other

Other comprises construction, services, and other business.

Revenues in this segment increased 12.4%, to ¥34.6 billion from the prior year, and accounted for 3.0% of consolidated revenues. Revenues generated from construction and other business also increased.

Operating income in this segment was ¥2.5 billion, almost the same level as in the prior year.

* The Company realigned its organization on April 1, 2012. Following this realignment, the segments that had previously been classified as Farm & Industrial Machinery , Water & Environment Systems , Social Infrastructure , and Other were reclassified into Farm & Industrial Machinery , Water & Environment , and Other .

c) Prospects for the fiscal year ending March 31, 2014

The Company forecasts consolidated revenues for the year ending March 31, 2014 at ¥1,400.0 billion, ¥232.4 billion higher than during the year under review. Domestic revenues are forecast to increase due to increases in revenues in all reporting segments. Overseas revenues are forecast to increase sharply due to higher revenues in Farm & Industrial Machinery. Among revenues in this segment, revenues in North America, Europe and Asia outside Japan expected to increase substantially owing to the impact of the yen depreciation.

The Company forecasts operating income of ¥160.0 billion, an increase of ¥46.8 billion from the year under review, due to the effect of higher revenues and the substantial positive change of yen exchange. The Company expects Income before income taxes and equity in net income of affiliated companies for the next fiscal year to be ¥165.0 billion, an increase of ¥44.5 billion from the year under review. Net income attributable to Kubota Corporation is forecast to be ¥100.0 billion, an increase of ¥26.3 billion from the year under review. (These forecasts are based on the assumption of exchange rates of ¥95=US$1 and ¥125=1 Euro.)

(2) Financial condition

a) Assets, liabilities and equity

Total assets at the end of March 2013 amounted to ¥1,743.7 billion, an increase of ¥256.0 billion from the prior fiscal year-end. As for assets, notes and accounts receivable, inventories, and short- and long-term finance receivables increased due to higher revenues and the yen depreciation from the prior year-end.

Among liabilities, trade accounts payable increased. Additionally, short-term borrowings and long-term debt increased related to the increase in finance receivables.

Equity increased because of the accumulation of retained earnings and a significant improvement in accumulated other comprehensive loss. The shareholders equity ratio was 43.5%, 0.4 percentage points lower than at the prior fiscal year-end.

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b) Cash flows

Net cash provided by operating activities during the year under review was ¥51.0 billion, a decrease of ¥28.9 billion in cash inflow compared with the prior year. This decrease in cash inflow was mainly due to the changes in working capital, such as notes and accounts receivable and trade notes and accounts payable, and a decrease in income taxes payable, while net income increased.

Net cash used in investing activities was ¥69.2 billion, a decrease of ¥0.7 billion in cash outflow compared with the prior year. The decrease in cash outflow, such as the decrease in expenditures for the acquisition of businesses and the shrinkage of the incremental amount in finance receivables, exceeded the increase in cash outflow due to the decrease of proceeds from sales of property, plant, and equipment and purchases of fixed assets.

Net cash provided by financing activities was ¥21.7 billion, an increase of ¥34.9 billion in cash inflow compared with the prior year. This increase was mainly due to an increase in cash inflow from fund procurement and a decrease in cash outflow for the purchase of treasury stock. Meanwhile, cash outflow due to purchases of noncontrolling interests increased.

As a result, after taking account of the effects of fluctuations in exchange rates, cash and cash equivalents at the end of March 31, 2013 were ¥110.5 billion, an increase of ¥10.0 billion from the prior fiscal year-end.

(Reference) Cash flow indices

	Year ended March 31, 2013	Year ended March 31, 2012
Ratio of shareholders equity to total assets [%]	43.5	43.9
Equity ratio based on market capitalization [%]	96.4	67.1
Interest-bearing debt / Net cash provided by operating activities [year]	9.0	4.5
Interest coverage ratio [times]	9.0	16.9

Notes.

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

Interest coverage ratio: cash flows 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 year for interest in the consolidated statements of cash flows.

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2. Management policies

(1) Basic management policy

For more than a century since its founding, the Company has continued to contribute to society through helping to improve people s quality of life, by offering products and services including farm equipment, pipes for water supply and sewage systems and environmental control plants.

And the Company is developing its business globally under the corporate mission Continue to support the future of the earth and humanity by contributing products that help the affluent and stable production of food, help supply and restore reliable water, and help create a comfortable living environment through its superior products, technologies and services with the aim of solving the worldwide problems of food, water and the environment, which are indispensable for human beings.

In the years to come, the Company will strive to attain an even higher enterprise value, through improvement of its capabilities for responding with flexibility to changes in society by emphasizing agility in its operations, strengthening its global operational presence, and relentlessly working to transform itself.

(2) Principal business policies for medium-to-long-term growth in profit

The Company is implementing initiatives to globalize its management with the objective of expanding its overseas business activities, which are the driving force for its growth. At the same time, the Company is moving forward with structural transformations in its domestic business operations. Through these initiatives in Japan and overseas, the Company is endeavoring to continue to develop sustainably for the long term. To realize this objective as soon as possible, the Company is implementing the following priority policies.

1) Attain Major Growth

The Company s principal business domains are food, water, and the environment, all of which are expected to show substantial growth in the years to come. The Company s highest priority at this time is to attain major expansion in its business scale. The Company will not only formulate and implement growth strategies for each of its businesses but will also specify companywide core growth themes, or growth driver businesses, and implement initiatives mainly through a task force formed in the corporate headquarters.

In Farm & Industrial Machinery, the Company will accelerate its activities to enter the business of large-scale agricultural machinery for dry-field farming to consolidate its position as a comprehensive manufacturer of agricultural machinery. Last year, the Company took a first step toward this objective through the acquisition of a tractor implement business. Looking ahead, the Company will step up the pace of its comprehensive business strategies for products, technologies, sales, services, and geographic regions.

In Water & Environment, the Company will strengthen its drive to develop its water and environment business in Asia outside Japan. In addition to those regions where the Company has a presence, with the network of offices of the engineering business the Company acquired last year as a base, the Company will identify those businesses where it can exercise its comprehensive capabilities and increase the speed of business development.

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2) Globalize Management

For the Company to continue to develop, sustainable growth in overseas markets will be indispensable. To realize this growth, the Company aims to conduct a drastic review of its business operations and systems and create management systems that are compatible with the expansion of overseas business activities.

In its products, the Company will create marketing and product development systems for each region, expand its production outside Japan, and create systems capable of developing and launching product lineups that meet the needs of various regions.

In its sales activities, the Company will strengthen its sales network with the aim of ensuring expansion in the growing Asian region. In addition, in those areas where the Company does not yet have a presence, it will begin to structure sales channels with a time horizon of 5 to 10 years.

In procurement, along with the network of suppliers that the Company has already developed in Thailand, the Company will expand the procurement functions of its other production centers and create a global procurement system.

In its business management, the Company will proceed with the delegation of authority to make rapid decision making, appropriate for various local conditions, possible, while also moving as quickly as possible toward the appointment of local human resources to positions of management responsibility.

On the other hand, as its business activities spread all over the world, the Company will work to improve its organizational frameworks, operating systems, and other corporate infrastructure to strengthen corporate governance within the Group. In addition, the Company will make active use of IT to improve the unified grasp and supervision of management resource information. Last year, the Company established its Kubota Global Identity and clarified Group values as expressed in the mission and management philosophy that will be shared universally by all employees. Going forward, the Company will work to ensure that these values are understood and shared by all employees, and then all move together to expand the business activities of the Group.

3) Develop New Businesses in Japan

The operating environment in Japan continues to be challenging. The Company is moving ahead with structural changes in its business portfolio and is aiming for the development of new businesses. In the agricultural-related products businesses, rather than focusing just on selling machinery, the Company will work toward the development of business activities that make comprehensive contributions to agriculture, including proposing various services that increase efficiency and the adoption of new farm management methods. In addition, in Water & Environment, in its activities related to the public sector, the Company is not only working to expand existing business in selling machinery and materials and providing construction services, but is also working to create new business opportunities by strengthening its capabilities for the maintenance and management of public facilities, which is increasingly being subcontracted to the private sector.

4) Strengthen Technology Development to Attain Sustainable Growth

To sustain its growth for the long term, the Company is striving to strengthen its capabilities for developing future-oriented technology. The Company is pursuing technological development that will be the core for sustaining growth in the medium-to-long term mainly in its headquarters technology units, including its Research & Development Headquarters and Quality Assurance & Manufacturing Headquarters. In addition, the Company is endeavoring to strengthen the technologies of its business departments through differentiation and is readying operating systems and organizational frameworks that cross over the existing organizational lines and make usage possible in products and production.

< 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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3. Consolidated financial statements

(1) Consolidated balance sheets

Assets					(In millions of yen)
	March 31, 2013		March 31, 2012		Change
	Amount	%	Amount	%	Amount
Current assets:					
Cash and cash equivalents	110,535		100,559		9,976
Notes and accounts receivable:					
Trade notes	73,236		71,713		1,523
Trade accounts	404,775		321,451		83,324
Less: Allowance for doubtful notes and accounts receivable	(2,504)		(2,404)		(100)
Total notes and accounts receivable, net	475,507		390,760		84,747
Short-term finance receivables-net	130,694		108,160		22,534
Inventories	231,488		202,070		29,418
Other current assets	66,451		64,463		1,988
Total current assets	1,014,675	58.2	866,012	58.2	148,663
Investments and long-term finance receivables:					
Investments in and loan receivables from affiliated companies	19,276		17,971		1,305
Other investments	126,679		101,705		24,974
Long-term finance receivables-net	249,135		204,272		44,863
Total investments and long-term finance receivables	395,090	22.7	323,948	21.8	71,142
Property, plant, and equipment:					
Land	90,870		89,529		1,341
Buildings	237,639		226,598		11,041
Machinery and equipment	386,052		361,433		24,619
Construction in progress	16,291		8,079		8,212
Total	730,852		685,639		45,213
Accumulated depreciation	(475,326)		(460,572)		(14,754)
Net property, plant, and equipment	255,526	14.6	225,067	15.1	30,459
Other assets:					
Goodwill and intangible assets-net	28,902		26,904		1,998
Long-term trade accounts receivable	32,009		31,409		600
Other	18,122		15,204		2,918
Less: Allowance for doubtful non-current receivables	(654)		(875)		221
Total other assets	78,379	4.5	72,642	4.9	5,737
Total	1,743,670	100.0	1,487,669	100.0	256,001

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Liabilities and equity

(In millions of yen)

	March 31, 2013		March 31, 2012		Change
	Amount	%	Amount	%	Amount
Current liabilities:					
Short-term borrowings	118,860		69,623		49,237
Trade notes payable	20,926		16,905		4,021
Trade accounts payable	222,101		199,072		23,029
Advances received from customers	10,142		6,983		3,159
Notes and accounts payable for capital expenditures	16,779		13,817		2,962
Accrued payroll costs	32,840		30,830		2,010
Accrued expenses	38,037		33,617		4,420
Income taxes payable	17,385		16,449		936
Other current liabilities	49,489		41,477		8,012
Current portion of long-term debt	68,297		107,210		(38,913)
Total current liabilities	594,856	34.1	535,983	36.0	58,873
Long-term liabilities:					
Long-term debt	273,360		184,402		88,958
Accrued retirement and pension costs	28,752		41,882		(13,130)
Other long-term liabilities	36,094		18,188		17,906
Total long-term liabilities	338,206	19.4	244,472	16.4	93,734
Equity:					
Kubota Corporation shareholders equity:					
Common stock	84,070		84,070		
Capital surplus	88,866		88,834		32
Legal reserve	19,539		19,539		
Retained earnings	595,145		560,710		34,435
Accumulated other comprehensive loss	(28,889)		(80,542)		51,653
Treasury stock, at cost	(216)		(19,328)		19,112
Total Kubota Corporation shareholders equity	758,515	43.5	653,283	43.9	105,232
Noncontrolling interests	52,093	3.0	53,931	3.7	(1,838)
Total equity	810,608	46.5	707,214	47.6	103,394

updating FIFs and Number of Shares &nbserif">· (“NOS”).

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(ii) Quarterly Index Reviews in February and August of the Size Segment Indices aimed at:

- including significant new eligible securities (such as IPOs that were not eligible for earlier inclusion) in the index;
- allowing for significant moves of companies within the Size Segment Indices, using wider buffers than in the SAIR; and
- reflecting the impact of significant market events on FIFs and updating NOS.

(iii) Ongoing Event–Related Changes: changes of this type are generally implemented in the indices as they occur. Significantly large IPOs are included in the indices after the close of the company's tenth day of trading.

Through this maintenance process, MSCI may make structural changes to the indices by adding or deleting component country indices. Consequently, the composition of the Underlying Index may change over the term of the notes.

Neither we nor any of our affiliates, including BMOCM, accepts any responsibility for the calculation, maintenance, or publication of, or for any error, omission, or disruption in the Underlying Index, or any successor to the index. MSCI does not guarantee the accuracy or the completeness of the Underlying Index, or any data included in the index. MSCI assumes no liability for any errors, omissions, or disruption in the calculation and dissemination of the Underlying Index. MSCI disclaims all responsibility for any errors or omissions in the calculation and dissemination of the Underlying Index, or the manner in which the index is applied in determining the amount payable on the notes at maturity.

Historical Information of the Underlying Assets

The following tables set forth the high and low Closing Levels of the Underlying Assets from the first quarter of 2012 through the Pricing Date.

Closing Levels of the S&P 500® Index

		High	Low
2012	First Quarter	1,416.51	1,277.06
	Second Quarter	1,419.04	1,278.05
	Third Quarter	1,465.77	1,334.76
	Fourth Quarter	1,461.40	1,353.33
2013	First Quarter	1,569.19	1,457.15
	Second Quarter	1,669.16	1,541.61
	Third Quarter	1,725.52	1,614.08
	Fourth Quarter	1,848.36	1,655.45
2014	First Quarter	1,878.04	1,741.89
	Second Quarter	1,962.87	1,815.69
	Third Quarter	2,011.36	1,909.57
	Fourth Quarter	2,090.57	1,862.49
2015	First Quarter	2,117.39	1,992.67
	Second Quarter	2,130.82	2,057.64
	Third Quarter	2,128.28	1,867.61
	Fourth Quarter	2,109.79	1,923.82
2016	First Quarter	2,063.95	1,829.08
	Second Quarter (through the Pricing Date)	2,119.12	2,000.54

Closing Levels of the iShares® MSCI Emerging Markets ETF

		High (in $)	Low (in $)
2012	First Quarter	44.76	38.23
	Second Quarter	43.54	36.68
	Third Quarter	42.37	37.42
	Fourth Quarter	44.35	40.14
2013	First Quarter	45.20	41.80
	Second Quarter	44.23	36.63
	Third Quarter	43.29	37.34
	Fourth Quarter	43.66	40.44
2014	First Quarter	40.27	37.09
	Second Quarter	43.95	40.82
	Third Quarter	45.85	41.56
	Fourth Quarter	42.44	37.73
2015	First Quarter	41.07	37.92
	Second Quarter	44.09	39.04
	Third Quarter	39.78	31.32
	Fourth Quarter	36.29	31.55
2016	First Quarter	34.28	28.25
	Second Quarter (through the Pricing Date)	35.26	31.89

Validity of the Notes

In the opinion of Osler, Hoskin & Harcourt LLP, the issue and sale of the notes has been duly authorized by all necessary corporate action of the Bank in conformity with the Senior Indenture, and when this pricing supplement has been attached to, and duly notated on, the master note that represents the notes, the notes will have been validly executed and issued and, to the extent validity of the notes is a matter governed by the laws of the Province of Ontario, or the laws of Canada applicable therein, and will be valid obligations of the Bank, subject to the following limitations (i) the enforceability of the Senior Indenture may be limited by the Canada Deposit Insurance Corporation Act (Canada), the Winding-up and Restructuring Act (Canada) and bankruptcy, insolvency, reorganization, receivership, moratorium, arrangement or winding-up laws or other similar laws affecting the enforcement of creditors' rights generally; (ii) the enforceability of the Senior Indenture may be limited by equitable principles, including the principle that equitable remedies such as specific performance and injunction may only be granted in the discretion of a court of competent jurisdiction; (iii) pursuant to the Currency Act (Canada) a judgment by a Canadian court must be awarded in Canadian currency and that such judgment may be based on a rate of exchange in existence on a day other than the day of payment; and (iv) the enforceability of the Senior Indenture will be subject to the limitations contained in the Limitations Act, 2002 (Ontario), and such counsel expresses no opinion as to whether a court may find any provision of the Senior Debt Indenture to be unenforceable as an attempt to vary or exclude a limitation period under that Act. This opinion is given as of the date hereof and is limited to the laws of the Provinces of Ontario and the federal laws of Canada applicable thereto. In addition, this opinion is subject to customary assumptions about the Trustee's authorization, execution and delivery of the Indenture and the genuineness of signatures and certain factual matters, all as stated in the letter of such counsel dated July 2, 2014, which has been filed as Exhibit 5.1 to Bank of Montreal's Form 6-K filed with the SEC on July 3, 2014.

In the opinion of Morrison & Foerster LLP, when the pricing supplement has been attached to, and duly notated on, the master note that represents the notes, and the notes have been issued and sold as contemplated by the prospectus supplement and the prospectus, the notes will be valid, binding and enforceable obligations of Bank of Montreal, entitled to the benefits of the Indenture, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, concepts of reasonableness and equitable principles of general applicability (including, without limitation, concepts of good faith, fair dealing and the lack of bad faith). This opinion is given as of the date hereof and is limited to the laws of the State of New York. This opinion is subject to customary assumptions about the Trustee's authorization, execution and delivery of the Indenture and the genuineness of signatures and to such counsel's reliance on the Bank and other sources as to certain factual matters, all as stated in the legal opinion dated July 2, 2014, which has been filed as Exhibit 5.2 to the Bank's Form 6-K filed on July 3, 2014.