

# Financial Results for the year ended December 31, 2019



**Beyond 130**

**Masato Yoshikawa**  
Director and Executive Vice President,  
General Manager of Planning & Control Headquarters



**February 19, 2020**

# Financial Summary

For Earth, For Life  


(Unit: billions of yen)	Year ended Dec. 31, 2019	Year ended Dec. 31, 2018	Changes		Variance from revised forecast (Nov. 2019)	
			Amount	%	Amount	%
<b>Revenue</b>	1,920.0	1,850.3	+69.7	+3.8	+0.0	+0.0
Domestic	625.4	577.3	+48.0	+8.3	-10.1	-1.6
Overseas	1,294.7	1,273.0	+21.7	+1.7	+10.2	+0.8
<b>Operating profit</b>	10.5% 201.7	10.2% 189.3	+12.3	+6.5	+1.7	+0.8
<b>Profit before income taxes</b>	10.9% 209.0	10.7% 197.2	+11.8	+6.0	+1.0	+0.5
<b>Profit attributable to owners of the parent</b>	7.8% 149.1	7.5% 138.6	+10.5	+7.6	+4.1	+2.8

(Unit: billions of yen)	As of Dec. 31, 2019	As of Dec. 31, 2018	Changes	
			Amount	%
<b>Total assets</b>	3,139.3	2,895.7	+243.7	+8.4
<b>Equity attributable to owners of the parent</b>	1,442.8	1,339.9	+103.0	+7.7

# Revenue by Reportable Segment

For Earth, For Life  
Kubota

(Unit: billions of yen)	Year ended Dec. 31, 2019	Year ended Dec. 31, 2018	Changes	
			Amount	%
<b>Farm &amp; Industrial Machinery (Machinery)</b>	<b>1,572.6</b>	<b>1,527.6</b>	<b>+45.0</b>	<b>+2.9</b>
Domestic	320.6	308.9	+11.7	+3.8
Overseas	1,252.0	1,218.7	+33.3	+2.7
<b>Water &amp; Environment (Water)</b>	<b>315.7</b>	<b>292.3</b>	<b>+23.5</b>	<b>+8.0</b>
Domestic	273.5	238.4	+35.1	+14.7
Overseas	42.3	53.9	-11.7	-21.6
<b>Other</b>	<b>31.6</b>	<b>30.4</b>	<b>+1.2</b>	<b>+4.1</b>
Domestic	31.2	30.0	+1.2	+4.0
Overseas	0.4	0.4	+0.0	+7.1
<b>Total revenue</b>	<b>1,920.0</b>	<b>1,850.3</b>	<b>+69.7</b>	<b>+3.8</b>

<b>Domestic revenue</b>	<b>625.4</b>	<b>577.3</b>	<b>+48.0</b>	<b>+8.3</b>
<b>Overseas revenue</b>	<b>1,294.7</b>	<b>1,273.0</b>	<b>+21.7</b>	<b>+1.7</b>

For reference: Changes excluding the effects of fluctuation in exchange [-29.0 billion yen]  
>Overseas revenue in Machinery increased by 5%. Total overseas revenue increased by 4%.

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

For Earth, For Life  
Kubota

**Machinery: +45.0 billion yen** (Domestic: +11.7, Overseas: +33.3)

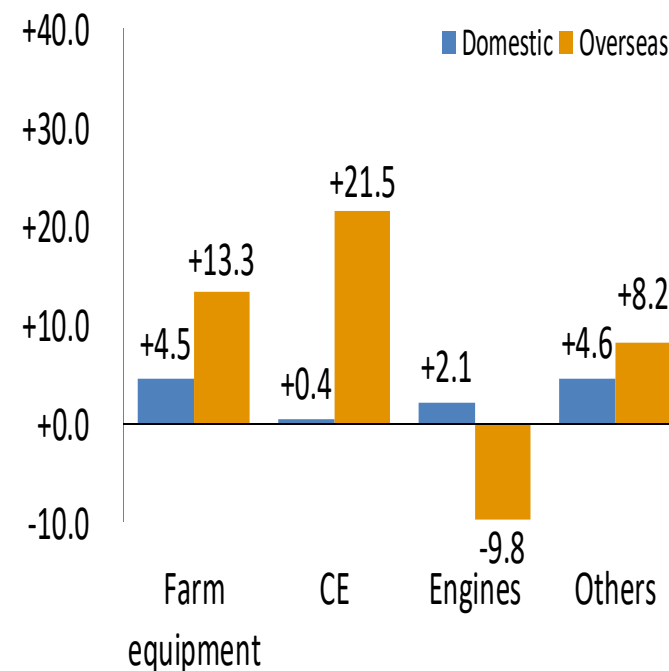
## Domestic

- Sales of farm equipment increased mainly due to rushed demand before the consumption tax hike.
- Sales of construction machinery (CE) remained at the same level as the prior year due to the negative effect of typhoon.
- Sales of engines increased due to firm demand.

## Overseas

- Sales of tractors increased mainly in North America and Thailand.
- Sales of combine harvesters and rice transplanters decreased significantly due to a slump of demand in China.
- Sales of CE increased in North America due to expanded demand and a newly introduced model.
- In Others category, finance income increased in North America and Thailand.

■ Changes in revenue by product  
(Billions of yen)



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

**Water: +23.5 billion yen** (Domestic: +35.1, Overseas: -11.7)

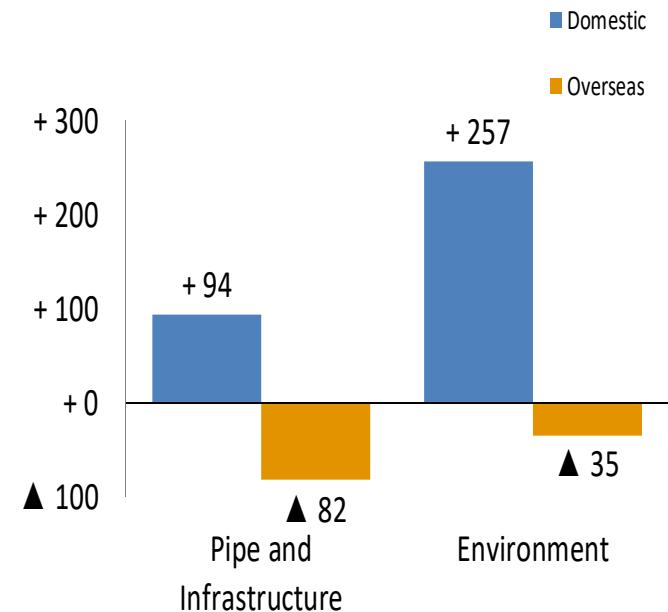
## Domestic

- In pipe- and infrastructure-related business, sales of ductile iron pipes increased along with solid demand. In addition, sales of construction business increased due to increased sales of pipeline construction resulting from utilizing unique technologies.
- In environment-related business, sales of construction of melting facility for reducing volume of radioactive waste in Futaba Town, Fukushima Prefecture increased significantly.

## Overseas

- In pipe- and infrastructure-related business, sales of ductile iron pipes to the Middle East decreased.
- In environment-related business, sales of wastewater treatment plant (Johkasou) decreased in China.

■ Changes in revenue by product (Billions of yen)



# Operating Profit

(Unit: billions of yen)	Year ended Dec. 31, 2019		Year ended Dec. 31, 2018		Changes	
	Amount	%	Amount	%	Amount	%
<b>Operating profit</b>	201.7	10.5	189.3	10.2	+12.3	+6.5

## Factors affecting operating profit (YoY change +12.3 billion yen)

<b>1. Fluctuation in exchange rates</b>	US\$ (110→109 *1) Euro (130→122 *1) Other currencies	-1.5 billion yen -5.5 billion yen -2.5 billion yen	<b>-9.5 billion yen</b>
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<b>2. Foreign exchange gain/loss</b>			<b>+3.3 billion yen</b>
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<b>3. Material</b>	Machinery Water	-4.0 billion yen 0.0 billion yen	<b>-4.0 billion yen</b>
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<b>4. Change in sales incentive ratio</b>	North America : +13.3 billion yen etc.		<b>+12.4 billion yen</b>
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<b>5. Impact of increased sales</b>			<b>+19.0 billion yen</b>
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<b>6. Sales price increase</b>			<b>+15.3 billion yen</b>
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<b>7. Other</b>			<b>-24.2 billion yen</b>
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\*1: Exchange rates, which affected profit of exported products from Japan in consideration of the period of transportation and inventory, were as follows: US\$:110→110 Euro:131→124

# Operating Profit by Reportable Segment

For Earth, For Life  


(Unit: billions of yen)		Year ended Dec. 31, 2019 (Actual)	Year ended Dec. 31, 2018 (Actual)	Changes
<b>Machinery</b>	Revenue	1,572.6	1,527.6	+45.0
	Operating profit	204.5	200.9	+3.6
	OP margin	13.0%	13.2%	-0.1P
<b>Water</b>	Revenue	315.7	292.3	+23.5
	Operating profit	26.7	19.9	+6.9
	OP margin	8.5%	6.8%	+1.7P
<b>Other</b>	Revenue	31.6	30.4	+1.2
	Operating profit	3.6	3.0	+0.6
	OP margin	11.4%	9.9%	+1.5P
<b>Adjustment</b>	Operating profit	-33.2	-34.5	+1.3
<b>Total</b>	Revenue	1,920.0	1,850.3	+69.7
	Operating profit	201.7	189.3	+12.3
	OP margin	10.5%	10.2%	+0.3P

# Profit Before Income Taxes/ Profit for the Year

For Earth, For Life  
Kubota

(Unit: billions of yen)	Year ended Dec. 31, 2019		Year ended Dec. 31, 2018		Changes	
	Amount	%	Amount	%	Amount	%
Profit before income taxes	209.0	10.9	197.2	10.7	+11.8	+6.0
Profit for the year	159.1	8.3	150.1	8.1	+8.9	+6.0

## Profit attributable to:

Owners of the parent	149.1	7.8	138.6	7.5	+10.5	+7.6
Noncontrolling interests	10.0	0.5	11.6	0.6	-1.5	-13.2

Dividends (Per share)	36 yen	34 yen	+2 yen
Payout ratio	30 %	30 %	-1 point
Retirement of treasury shares (Billion yen)	19.6	2.9	+16.7
Shareholder return ratio (Dividends and retirement of treasury shares)	43 %	32 %	+10 point

Kubota Corp. retired 11,980,000 of treasury shares in September 2019.



# Shareholder Return History

For Earth, For Life  


(Unit: billions of yen)	Nine months ended Dec. 31, 2015	Year ended Dec. 31, 2016	Year ended Dec. 31, 2017	Year ended Dec. 31, 2018	Year ended Dec. 31, 2019	Changes	Total of last 4 years and 9 months
	U.S. GAAP			IFRS			
Profit attributable to owners of the parent (Per share)	110.1 (88.47yen)	132.5 (106.58yen)	136.4 (110.30yen)	138.6 (112.44yen)	149.1 (121.59yen)	+ 10.5 (+9.15yen)	666.7
Total amount of dividend paid (Dividend per share)	34.9 (28yen)	37.3 (30yen)	39.5 (32yen)	41.9 (34yen)	44.1 (36yen)	+ 2.2 (+ 2yen)	197.6
Retirement of treasury shares (Number of shares retired)	2.5 (1.3 mil. shares)	6.0 (3.8 mil. shares)	13.2 (7.1 mil. shares)	2.9 (1.5 mil. shares)	19.6 (12.0 mil. shares)	+ 16.7 (+ 10.5mil. shares)	44.1
Total shareholder return	37.4	43.3	52.7	44.8	63.6	+ 18.9	241.8

Payout ratio	32%	28%	29%	30%	30%	▲ 1P	30%
Shareholder return ratio (Dividends and retirement of treasury shares)	34%	33%	39%	32%	43%	+ 10P	36%

Dividend payout ratio: 30% as a target

Purchase and retirement of treasury shares\*: Carry out every year

Shareholder return ratio: over 30%

\* Continue share buy-backs and prompt retirement of treasury shares. The proceed from sales of assets such as securities, is appropriated to the resource of share buy-backs so as to control the balance of interest-bearing debt.

# Statement of Financial Position (Assets)

For Earth, For Life  
Kubota

(Unit: billions of yen)	As of Dec. 31, 2019	As of Dec. 31, 2018	Changes	Changes ex the effects of fluctuation in exchange
<b>Current assets</b>	<b>1,718.9</b>	<b>1,639.5</b>	<b>+79.4</b>	
Cash and cash equivalents	199.7	229.1	-29.5	
Trade receivables	682.6	660.4	+22.2	+22.0
Finance receivables	293.9	267.3	+26.7	
Inventories	382.4	370.7	+11.7	+13.0
Other	160.3	112.0	+48.3	
<b>Noncurrent assets</b>	<b>1,420.4</b>	<b>1,256.1</b>	<b>+164.3</b>	
Finance receivables	699.2	621.9	+77.4	
Other	721.2	634.2	+86.9	
<b>Total assets</b>	<b>3,139.3</b>	<b>2,895.7</b>	<b>+243.7</b>	
<b>Total finance receivables</b>	<b>993.2</b>	<b>889.1</b>	<b>+104.0</b>	<b>+96.0</b>

<Reference> Foreign exchange rate at the end of the term (yen)

U.S. dollar	110	111	-1
Euro	123	127	-4

# Statement of Financial Position (Liabilities)

For Earth, For Life  
Kubota

(Unit: billions of yen)	As of Dec. 31, 2019	As of Dec. 31, 2018	Changes	Changes ex the effects of fluctuation in exchange
<b>Current liabilities</b>	1,001.7	922.8	+78.9	
Bonds and borrowings	386.5	349.1	+37.5	
Trade payables	293.8	306.8	-13.0	
Other	321.4	267.0	+54.4	
<b>Noncurrent liabilities</b>	600.4	546.4	+54.0	
Bonds and borrowings	516.4	490.2	+26.2	
Other	83.9	56.2	+27.7	
<b>Total liabilities</b>	1,602.1	1,469.2	+132.9	
<b>Total interest-bearing liabilities</b>	903.0	839.3	+63.7	+61.0
<b>Net debt equity ratio</b>	0.49	0.46	+0.03	
<b>Net debt equity ratio (ex financial services)</b>	-0.14	-0.18	+0.04	

# Statement of Financial Position (Equity)

For Earth, For Life  


(Unit: billions of yen)	As of Dec. 31, 2019	As of Dec. 31, 2018	Changes
Equity attributable to owners of the parent	1,442.8	1,339.9	+103.0
Noncontrolling interests	94.4	86.6	+7.8
<b>Total equity</b>	<b>1,537.2</b>	<b>1,426.4</b>	<b>+110.8</b>

Ratio of equity attributable to owners of the parent to total assets	46.0%	46.3%	-0.3point
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(Unit: billions of yen)	Year ended Dec. 31, 2019	Year ended Dec. 31, 2018	Changes
Profit attributable to owners of the parent	149.1	138.6	+10.5
Return on equity (ROE)	10.7%	10.5%	+0.2point

# Statement of Cash Flows

For Earth, For Life  


(Unit: billions of yen)	Year ended Dec. 31, 2019	Year ended Dec. 31, 2018	Changes
<b>Net cash provided by operating activities</b>	82.4	89.1	-6.7
Increase in finance receivables	-97.0	-97.3	+0.3
Other	179.4	186.4	-7.1
<b>Net cash used in investing activities</b>	-91.5	-58.8	-32.7
Payments for acquisition of property, plant, and equipment and intangible assets	-94.9	-63.4	-31.5
Other	3.4	4.6	-1.3
<b>Net cash used in financing activities</b>	-21.5	-27.8	+6.3
<b>Effect of exchange rate changes on cash and cash equivalents</b>	1.1	-4.2	+5.3
<b>Net decrease in cash and cash equivalents</b>	-29.5	-1.6	-27.9
<b>Free cash flow</b>	-12.4	25.8	-38.2
<b>Free cash flow (excluding the changes in finance receivables)</b>	84.5	123.0	-38.5

# Financial Services <Reference (unaudited)>

For Earth, For Life  
Kubota

## Statement of Financial Position

(Unit: billions of yen)	As of Dec. 31, 2019		As of Dec. 31, 2018	
	Financial services	Equipment operations	Financial services	Equipment operations
<b>Total assets</b>	<b>1,181.2</b>	<b>2,048.2</b>	<b>1,101.1</b>	<b>1,907.1</b>
Cash and cash equivalents	19.8	179.8	20.7	208.4
Trade receivables	29.3	655.7	31.1	631.2
Finance receivables	993.2	-	889.1	-
Inventories	-	382.4	-	370.7
Property, plant, and equipment	0.5	404.9	0.6	329.5
Other	138.4	425.4	159.6	367.3
<b>Total liabilities</b>	<b>996.5</b>	<b>678.6</b>	<b>932.0</b>	<b>634.4</b>
Total interest-bearing debt	938.0	-	875.7	-
Other	58.4	678.6	56.3	634.4
<b>Total equity</b>	<b>184.7</b>	<b>1,369.7</b>	<b>169.1</b>	<b>1,272.7</b>

## Statement of Profit or Loss (Financial Services)

(Unit: billions of yen)	Year ended Dec. 31, 2019	Year ended Dec 31, 2018	Changes	
	Amount	Amount	Amount	%
Revenue	76.0	65.9	+10.1	+15.4
Operating profit	33.3% 25.3	40.8% 26.9	-1.6	-5.9
Profit attributable to owners of the parent	20.3% 15.4	27.6% 18.2	-2.8	-15.3

# Recent Developments In Machinery

# Recent Developments in Machinery (North America)

## U.S.

Demand for tractors and CE is expected to grow moderately along with current stable economy and good condition of housing units started, while severe competition is expected to continue.

### Tractors / RS\*

Demand for compact tractors is expected to continue to grow moderately along with stable economy. Demand for medium- and large-sized tractors is expected to continue to recover. Achieving smooth market penetration of new models such as a new medium-sized tractor, which was demanded by customers strongly, and aiming to increase market share.

### CE / RS

Demand is expected to continue to grow along with stable construction demand. Wholesales are expected to decrease due to adverse reaction from introduction of the new model in 2019 despite retail sales growth supported by initiatives to increase market share through further strengthening of dealer network.

### Engines / WS\*

Sales in the 1st half of this year are expected to decrease due to inventory adjustment by OEM clients. However, sales in the full year are expected to be at the same level as the prior year due to recovery of the market in the 2nd half of this year.

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

		Jan.-Mar.	Apr.-Jun.	Jul.-Sept.	Oct.-Dec.	Jan.-Jun.	Jan.-Sept.	Jan.-Dec.
2018	0-40hp	+1.6%	+11.6%	+13.1%	+7.3%	+8.3%	+9.7%	+9.2%
	40-120hp	-2.1%	+6.5%	-0.1%	+2.4%	+3.0%	+1.9%	+2.1%
	120-160hp	-13.8%	-3.6%	+14.3%	-8.9%	-8.1%	-1.7%	-3.9%
2019	0-40hp	+9.7%	+4.9%	+6.4%	-0.1%	+6.4%	+6.4%	+5.0%
	40-120hp	-0.8%	-0.2%	+7.2%	-4.1%	-0.4%	+2.2%	+0.5%
	120-160hp	-5.7%	+2.3%	+16.6%	-0.4%	-1.0%	+4.8%	+3.3%

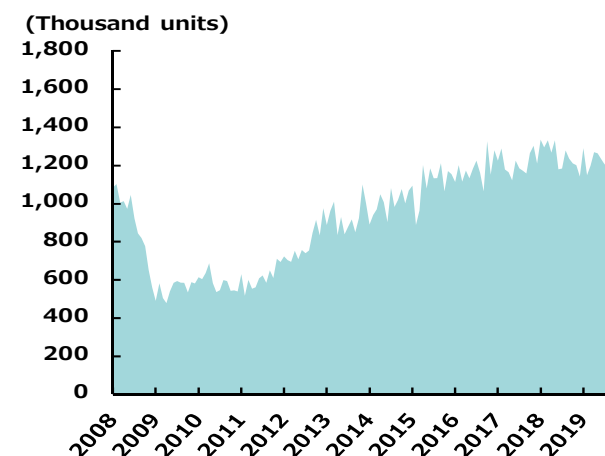
Source: AEM (Association of Equipment Manufacturers)

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

	Jan.-Mar.	Apr.-Jun.	Jul.-Sept.	Oct.-Dec.	Jan.-Jun.	Jan.-Sept.	Jan.-Dec.
2018	+5.9%	+15.3%	+14.1%	+0.8%	+11.6%	+12.4%	+9.3%
2019	+2.7%	+7.4%	+11.0%	+25.0%	+5.6%	+7.4%	+11.7%

Source: AEM (Association of Equipment Manufacturers)

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



Source: U.S. Census Bureau

\* RS: Retail sales, WS: Wholesales



## Recent Developments in Machinery (Europe)

For Earth, For Life  
Kubota

### Europe

Agricultural market is expected to be slow due to inclement weather in the prior year. Demand for CE is expected to decrease due to uncertainty about outlook for European economy.

#### Tractors / RS

Demand for compact tractors is expected to be at the same level as the prior year. Demand for medium- and large-sized tractors is expected to shrink due to uncertainty about outlook for European economy and agricultural market. Aiming to increase market share by introducing new models, such as medium- and large-sized tractors meeting the new exhaust emission regulations (Stage V).

#### Implements / WS

Strong demand cannot be expected due to the slump in the agricultural market.

#### CE / RS

Overall demand in Europe is expected to decline due to uncertainty about outlook for European economy. However, demand in the U.K. is expected to increase because of recovery from conservative buying caused by uncertainty of Brexit in the prior year. Aiming to increase market share by strengthening dealer network and introducing fully remodeled products.

#### Engines / WS

Demand is expected to be at the same level as the prior year, when demand decreased due to the adverse reaction to the rushed demand before the new exhaust emission regulations, because of uncertainty about outlook for European economy.

# Recent Developments in Machinery (Asia)

## Thailand and neighboring countries

**Negative impact of inclement weather in the prior year on demand for farm equipment is expected to continue in the 1st half of this year. However, the demand is expected to recover in the 2nd half due to becoming average weather condition in the rainy season of this year.**

### Tractors, Combines/ RS

Demand is expected to be slow in the 1st half of this year because the negative impact of inclement weather in the prior year is expected to continue. However, demand in the full year is expected to increase because demand in the 2nd half of this year is expected to increase resulting from improvement of weather condition and stable crop prices. Aiming at further expansion of our business by introducing new models of tractors.

### CE / RS

Demand is expected to expand mainly due to continuation of large scale construction projects and an increase in construction for urbanization in rural areas.

### Neighboring countries / RS

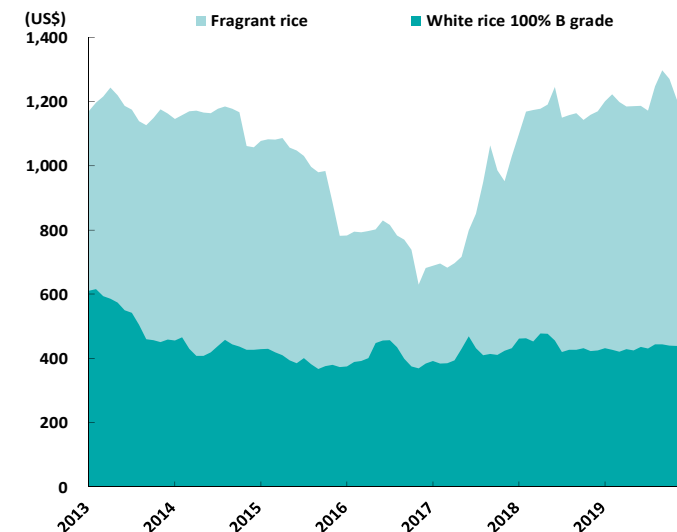
#### 〈Cambodia〉

Demand for tractors is expected to expand due to favorable prices of cassava. Demand for combine harvesters is expected to recover due to improved weather condition.

#### 〈Myanmar〉

Demand is expected to expand due to progress in mechanization.

■ Export price of Thai rice (US\$/t)



Source: USDA, Thai Rice Exporters Association

# Recent Developments in Machinery (Asia)

## China

Budgeted government subsidies have not been determined yet, but are expected to remain at mostly unchanged year on year. Demand for farm equipment is expected to continue to shrink gradually due to stagnated prices of rice and intensifying competition among contractors.

### Tractors / RS

Demand is expected to shrink mainly due to shift from rice farming to cultivation or others along with stagnated price of rice .

### Combines / RS

Demand is expected to continue to shrink due to intensifying competition among contractors and a decline in prices of rice and used equipment. Our wholesales are expected to remain at the same level as the prior year by introducing new models which have higher horse power and higher processing capacity.

### Rice transplanters / RS

Demand is expected to continue to shrink.

### CE / RS

Severe competitive environment is expected to continue due to intensifying price competition lead by local manufacturers.

### Engines / WS

Demand is expected to remain at the same level as the prior year. Our wholesales is expected to increase mainly due to increased sales for forklift.

#### ■ Budgeted government subsidies for purchase of agricultural equipment

(Unit: billions of RMB)		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Subsidies	1st stage	-	-	11.0	13.0	20.0	17.0	21.0	22.8	18.6	18.6	18.0
	Full year	13.0	15.5	17.5	21.5	21.8	23.8	23.8	23.7	18.6	18.6	18.0

# Recent Developments in Machinery (Japan)

## Japan

Demand for each farm equipment is expected to shrink mainly due to adverse reaction from rushed demand before the consumption tax hike in the prior year.

Demand for CE is expected to expand because some part of demand in the prior year was carried over to this year due to delayed shipment caused by typhoon in the prior year.

### Farm Equipment / RS

Demand is expected to shrink mainly due to adverse reaction from rushed demand before the consumption tax hike in the prior year and stagnated sales in regions, which were damaged by natural disaster. Aiming to expand market share by introducing new models, such as tractors with a keeping straight function.

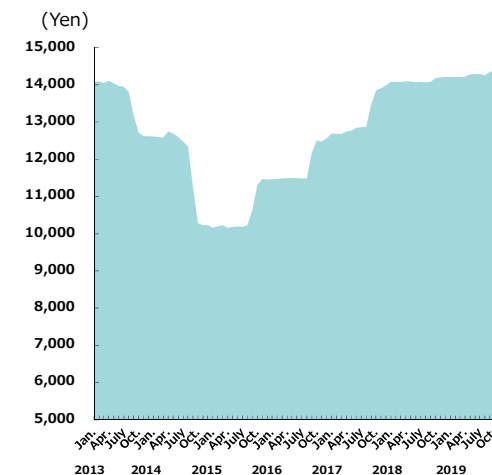
### CE / RS

Demand is expected to expand because some part of shipments was carried over to this year due to the shortage of supply capacity of each manufacturer resulting from typhoon in the 2nd half of the prior year.

### Engines / WS

Demand is expected to be solid mainly due to strong exports to North America by domestic OEM clients.

■ Producers' price of Japanese rice (yen/ 60kg)



Source: Ministry of Agriculture, Forestry and Fisheries

Forecast

# Anticipated Operating Results

For Earth, For Life  


(Unit: billions of yen)	Year ending Dec. 31, 2020 (Forecast)	Year ended Dec. 31, 2019 (Actual)	Changes		Six months ending June 30, 2020 (Forecast)
			Amount	%	
<b>Revenue</b>	1,950.0	1,920.0	+30.0	+1.6	970.0
<b>Domestic</b>	626.5	625.4	+1.1	+0.2	309.0
<b>Overseas</b>	1,323.5	1,294.7	+28.8	+2.2	661.0
<b>Operating profit</b>	10.3% 200.0	10.5% 201.7	-1.7	-0.8	9.6% 93.0
<b>Profit before income taxes</b>	10.6% 207.0	10.9% 209.0	-2.0	-1.0	9.9% 96.0
<b>Profit attributable to owners of the parent</b>	7.6% 148.0	7.8% 149.1	-1.1	-0.7	7.0% 68.0

\*The impact from infection spread of the novel coronavirus on the business result is not included in the forecast because it is difficult to estimate the impact.

# Anticipated Revenue by Reportable Segment

(Unit: billions of yen)	Year ending Dec. 31, 2020 (Forecast)	Year ended Dec. 31, 2019 (Actual)	Changes	
			Amount	%
<b>Machinery</b>	<b>1,590.0</b>	<b>1,558.3</b>	<b>+31.7</b>	<b>+2.0</b>
Domestic	310.5	306.3	+4.2	+1.4
Overseas	1,279.5	1,252.0	+27.5	+2.2
<b>Water</b>	<b>328.0</b>	<b>330.1</b>	<b>-2.1</b>	<b>-0.6</b>
Domestic	284.0	287.8	-3.8	-1.3
Overseas	44.0	42.3	+1.7	+4.1
<b>Other</b>	<b>32.0</b>	<b>31.6</b>	<b>+0.4</b>	<b>+1.1</b>
Domestic	32.0	31.2	+0.8	+2.4
Overseas	-	0.4	-0.4	-100.0
<b>Total revenue</b>	<b>1,950.0</b>	<b>1,920.0</b>	<b>+30.0</b>	<b>+1.6</b>

<b>Domestic revenue</b>	<b>626.5</b>	<b>625.4</b>	<b>+1.1</b>	<b>+0.2</b>
<b>Overseas revenue</b>	<b>1,323.5</b>	<b>1,294.6</b>	<b>+28.8</b>	<b>+2.2</b>

\*Beginning with the year ending December 31, 2020, in conformity with the change in the business reporting structure, the amounts related to air-conditioning equipment are reported in the “Water”, whereas they were formerly reported in the “Machinery”. Accordingly, the information for the year ended December 31, 2019 was adjusted to conform to ongoing year's presentation.

For reference: Changes excluding the effects of fluctuation in exchange [-12.0 billion yen]  
>Overseas revenue in Machinery is forecast to increase by 3%. Total overseas revenue is forecast to increase by 3%.

# Anticipated Operating Profit

For Earth, For Life  
Kubota

(Unit: billions of yen)	Year ending Dec. 31, 2020 (Forecast)		Year ended Dec. 31, 2019 (Actual)		Changes	
	Amount	%	Amount	%	Amount	%
Operating profit	200.0	10.3	201.7	10.5	-1.7	-0.8

## Factors affecting operating profit (YoY change +10.7 billion yen)

<b>1.Fluctuation in exchange rates</b>	US\$ (109→108 *1) Euro (122→120 *1) Other currencies	-5.0 billion yen -3.0 billion yen -1.0 billion yen	<b>-9.0 billion yen</b>
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<b>2.Foreign exchange gain/loss</b>			<b>+3.0 billion yen</b>
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<b>3.Material</b>	Machinery Water	-1.0 billion yen +1.0 billion yen	<b>0 billion yen</b>
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<b>4.Change in sales incentive ratio</b>	North America : -2.8 billion yen, Europe: -1.5 billion yen etc.		<b>-4.5 billion yen</b>
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<b>5.Impact of increased sales</b>			<b>+13.0 billion yen</b>
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<b>6.Sales price increase</b>			<b>+4.0 billion yen</b>
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<b>7.Other</b>			<b>-8.2 billion yen</b>
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\*1: Exchange rates, which affected profit of exported products from Japan in consideration of the period of transportation and inventory, were as follows: US\$:110→108 Euro:124→120



# Anticipated Operating Profit by Reportable Segment

For Earth, For Life  


(Unit: billions of yen)		Year ending Dec. 31, 2020 (Forecast)	Year ended Dec. 31, 2019 (Actual)	Changes
<b>Machinery</b>	Revenue	1,590.0	1,558.3	+31.7
	Operating profit	199.0	203.1	-4.1
	OP margin	12.5%	13.0%	-0.5P
<b>Water</b>	Revenue	328.0	330.1	-2.1
	Operating profit	29.0	28.1	+0.9
	OP margin	8.8%	8.5%	+0.3P
<b>Other</b>	Revenue	32.0	31.6	+0.4
	Operating profit	3.0	3.6	-0.6
	OP margin	9.4%	11.4%	-2.1P
<b>Adjustment</b>	Operating profit	-31.0	-33.2	+2.2
<b>Total</b>	Revenue	1,950.0	1,920.0	+30.0
	Operating profit	200.0	201.7	-1.7
	OP margin	10.3%	10.5%	-0.2P

\*Beginning with the year ending December 31, 2020, in conformity with the change in the business reporting structure, the amounts related to air-conditioning equipment are reported in the "Water", whereas they were formerly reported in the "Machinery". Accordingly, the information for the year ended December 31, 2019 was adjusted to conform to ongoing year's presentation.

# Exchange Rate, CAPEX, Depreciation and R&D Expenses

## ■ Anticipated foreign exchange rate

		Year ending Dec. 31, 2020 (Forecast)	Year ended Dec. 31, 2019 (Actual)	Year ended Dec. 31, 2018 (Actual)
¥/US\$	1st Half (Jan.-June)	108	110	109
	2nd half (July-Dec.)	108	108	112
	Full year average (Jan.-Dec.)	108	109	110
¥/Euro	1st Half (Jan.-June)	120	124	132
	2nd half (July-Dec.)	120	120	129
	Full year average (Jan.-Dec.)	120	122	130

## ■ CAPEX, Depreciation and R&D expenses

(Unit: billions of yen)	Year ending Dec. 31, 2020 (Forecast)	Year ended Dec. 31, 2019 (Actual)	Year ended Dec. 31, 2018 (Actual)
Capital expenditures*	115.0	86.7	64.1
Depreciation and amortization *	56.0	48.9	49.6
R&D expenses	59.0	53.1	53.8

\* : Recognition of right-of-use assets and depreciation of right-of-use assets along with adoption of IFRS 16 *Leases* are not included.

## 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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