

# **Kubota Corporation**

Financial Result Briefing for the 2nd Quarter of FY2025

August 5, 2025

## Event Summary

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<b>[Company Name]</b>	Kubota Corporation	
<b>[Company ID]</b>	6326-QCODE	
<b>[Event Language]</b>	JPN	
<b>[Event Type]</b>	Earnings Announcement	
<b>[Event Name]</b>	Financial Result Briefing for the 2nd Quarter of FY2025	
<b>[Fiscal Period]</b>	FY2025 Q2	
<b>[Date]</b>	August 5, 2025	
<b>[Number of Pages]</b>	25	
<b>[Time]</b>	16:00 – 16:39 (Total: 39 minutes, Presentation: 37 minutes, Q&A: 7 minutes)	
<b>[Venue]</b>	Webcast	
<b>[Venue Size]</b>		
<b>[Participants]</b>	120	
<b>[Number of Speakers]</b>	5	
	Yuichi Kitao	President and Representative Director
	Shingo Hanada	Representative Director and Executive Vice President, GM of Farm and Industrial Machinery Consolidated Division
	Hideo Takigawa	Managing Executive Officer, GM of Control Headquarters
	Wataru Kondo	Managing Executive Officer, GM of Water and Environment Infrastructure Consolidated Company
	Issei Matsui	IR Section Manager of Corporate Control Department
<b>[Analyst Names]*</b>	Takeru Adachi	Goldman Sachs

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\*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A or whose questions were read by moderator/company representatives.

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# Presentation

## Financial Summary

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### 1st half results

- Revenue and Operating profit declined but OP was in line with forecast
- The U.S. market declined but started to be calm slightly from Jun. Other market was relatively in line

### Forecast toward this year

- Revenue and Operating profit declines against LY and budget
- OP are declined by sales volume down in addition to unfavorable exchange rate and tariff

### The U.S. business outlook and strategy

- The U.S. business potential
- Advance the business structure reform

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Please see page two. This slide shows a summary of today's presentation.

For the first six months of FY2025, both revenue and operating profit declined YoY. In addition to the impact of the strong yen, a significant decline in the US. tractor market, one of our mainstay businesses, led to lower sales. However, we have been seeing signs since June that the sales are picking up.

This is the full-year forecast for FY2025. We have revised both revenue and operating profit downward, and both figures are now expected to fall short of last year's results and our initial plan. This downward revision to revenue mainly reflects the impact of lower sales in North America during H1. In addition, operating profit is expected to decline due to lower sales and an increase in various expenses, including the impact of reciprocal tariffs in the U.S., which could not be fully offset.

Finally, President Kitao will provide the outlook for our core North American business and Kubota's response to this situation.

Let me now explain the results for H1 of FY2025 and our forecast for the full year.

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## Financial Results for FY 2025 2nd Quarter

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(Unit: billions of yen)	FY 2025 2Q	FY 2024 2Q	Changes		Previous forecast (Feb. 2025)
			Amount	%	
<b>Revenue</b>	<b>1,454.9</b>	<b>1,579.6</b>	<b>-124.7</b>	<b>-7.9</b>	<b>1,520.0</b>
Japan	332.3	305.7	+26.6	+8.7	331.0
Overseas	1,122.6	1,273.9	-151.3	-11.9	1,189.0
North America Machinery	560.5	687.2	-126.7	-18.4	600.9
<b>Operating profit</b>	9.8% <b>143.0</b>	13.1% <b>207.3</b>	<b>-64.3</b>	<b>-31.0</b>	9.2% <b>140.0</b>
<b>Profit before income taxes</b>	10.4% <b>151.5</b>	13.7% <b>216.7</b>	<b>-65.3</b>	<b>-30.1</b>	9.8% <b>149.0</b>
<b>Profit attributable to owners of the parent</b>	6.4% <b>92.5</b>	9.5% <b>150.8</b>	<b>-58.3</b>	<b>-38.7</b>	6.4% <b>98.0</b>
1USD (JPY)	<b>149</b>	<b>152</b>			<b>145</b>
1EUR (JPY)	<b>162</b>	<b>165</b>			<b>152</b>
1THB (JPY)	<b>4.43</b>	<b>4.21</b>			<b>4.20</b>

Excluding the impact of foreign exchange rates, revenue decreased by ¥101.0 billion and operating profit declined by ¥47.7 billion.

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Please turn to page four for an overview of financial results for H1 of FY2025.

As you see, revenue decreased 7.9% YoY to JPY454.9 billion. Operating profit fell 31% to JPY143 billion, and net profit attributable to the parent declined 38.7% to JPY92.5 billion.

Lower machinery sales in North America led to a decline in revenue.

The yen has appreciated overall from the previous year, particularly against major currencies such as the US dollar and the euro.

Excluding the impact of foreign exchange rates, revenue decreased by JPY101 billion and operating profit declined by JPY47.7 billion.

Compared to the initial forecast, revenue was JPY65.1 billion lower, while operating profit exceeded the forecast by JPY3 billion.

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## Revenue by Reportable Segment

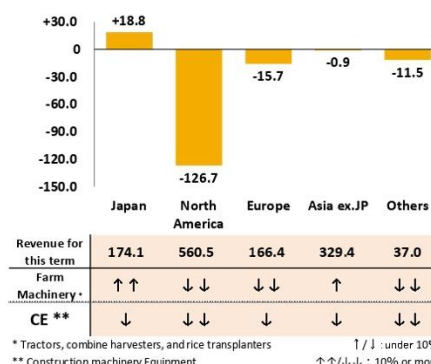
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**Machinery: 1,267.4 billion yen (YoY: -136.1)**

### Conditions in each market

- Japan** The agricultural machinery market is on an upward trend due to the rise in rice prices. Ensuring timely product supply to meet the rapidly growing demand.
- North America** The CE market remains stable in both infrastructure and housing sectors. The tractor market experienced a slowdown in the residential segment due to a decline in economic sentiment. The agricultural segment has also been slowing down due to crop price decline. However, the introduction of new mid-sized tractor model contributes to market share. Strict control over inventory is ongoing.
- Europe** The CE market has begun to bottom out and shows recovery in some countries. The tractor market is also showing early signs of improvement in business sentiment.
- Asia except Japan** In Thailand, although the dryland market has shrunk, the impact has been minimized through the introduction of new models. The Indian market performs well due to favorable rainfall and harvest yields.

■ Changes in revenue by region (Billions of yen)



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Please see page five. I would like to explain revenue by business segment.

Let me begin with the machinery business. Revenue in the machinery business totaled JPY1,267.4 billion, down JPY136.1 billion YoY.

First, let's look at the results in Japan. It came in at JPY18.8 billion, up 12% YoY. The agricultural machinery market remained strong YoY, supported by rising rice prices. The market had been shrinking due to a decline in the farming population, but it has recently started to recover for the first time in several years. Kubota achieved sales significantly higher than last year by meeting surging demand and delivering products without delay. Regarding the CE market, we understand that demand for construction and urban redevelopment has softened somewhat, partly due to project delays, but the overall market remains solid.

Next, let's take a look at the situation in North America. Revenue in the region totaled JPY126.7 billion, down 18% YoY. In the CE market, demand for infrastructure remains stable, supported by long-term government projects, while demand for residential applications is showing some signs of slowing compared to the beginning of the year. However, the number of new housings starts has remained stable at around 1.3 million units per year, the same level as before the COVID-19 pandemic.

In the tractor market, the residential segment had been sluggish since the beginning of the year due to uncertainty surrounding the tariff policy, but as we mentioned earlier, market conditions have begun to stabilize since around June. In the tractor market, the residential segment for homeowners had been sluggish since the beginning of the year due to uncertainty caused by the tariff policy, but as I mentioned earlier, conditions have started to stabilize somewhat since around June.

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Kubota has introduced new models mainly in the mid-sized tractor segment around 40-100 horsepower, and its market share has been steadily growing.

Note that in H1 of last year, shipments exceeded retail sales and distribution inventories increased, but in H1 of this year, sales declined as shipments were adjusted to align with retail trends. As a result, we understand that US dealers' inventories at the end of June 2025 stood at 5.8 months overall, 6.1 months for lawnmowers and tractors combined, and 4.7 months for CE. Despite being in the peak season, inventory levels have been somewhat reduced, and inventory control is progressing well.

Continuing on to Europe, revenue came to JPY15.7 billion, down 9% YoY. The CE market has shown signs of recovery since Q1 of this year, and the decline appears to be bottoming out. In the UK, the housing market is recovering, supported by government housing measures, and we believe market sentiment is gradually improving in other countries as well. Meanwhile, the tractor market continues to soften in major markets, but we believe there is room for some optimism for a modest recovery, supported by rising milk prices and other factors.

In the Asian market, revenue recorded a slight decline of JPY0.9 billion YoY. In Thailand, we are seeing signs of recovery from the drought caused by El Niño in the rice cultivation market. However, the dryland market has been softer than expected, reflecting the continued slump in cassava prices. In response, we are working to mitigate the impact by introducing new tractor models. In India, market conditions remain strong, thanks to last year's bumper crop and ample monsoon rainfall. Planting for the winter harvest has also begun smoothly.

As I mentioned earlier, the overall decline in the machinery business was significant in North America, with revenue down JPY136.1 billion or 10% YoY.

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## Revenue by Reportable Segment

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### Water & Environment: 179.6 billion yen (YoY: +12.0)

#### Conditions in each market

##### Pipe system

Orders for ductile iron pipes are steady due to growing demand for seismic retrofitting of pipes. Although the demand of plastic pipes for infrastructure is steady, the demand for housing market has declined.

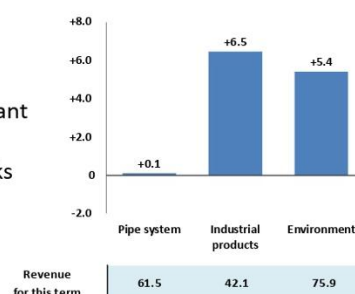
##### Industrial products

In the cracking tubes market, demand for overseas new plant remains stable. The demand of air-conditioning equipment is steady thanks to the trend to choose Japan as a new factory site and measures against heat wave.

##### Environment

Although the markets for pumps and plant business remain at the same level YoY, the construction delays have become chronic due to a lack of materials. The market of wastewater treatment is good supported by demand from factories in Japan.

■ Changes in revenue by business (Billions of yen)



### Other: 8.0 billion yen (YoY: -0.6)

Other is mainly comprised of a variety of other services such as logistics.

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See page six. This is an overview of the water and environment business.

The water and environment business recorded revenue of JPY179.6 billion, up JPY12 billion or 7% from the previous year.

In the pipe system, demand for seismic retrofitting of ductile iron pipes is increasing. While shipments remain roughly flat YoY, orders have been solid. For plastic pipes, infrastructure-related demand has been stable, but domestic housing starts have been declining, leading to somewhat weaker demand for residential applications.

In the industrial products, overseas demand for cracking tubes has remained stable. In the air-conditioning equipment field, orders for semiconductor and other factory have been steadily increasing, as more manufacturers are bringing their production facilities back to Japan in response to supply chain reviews. In addition, orders related to heat countermeasures in factories have remained strong due to extreme summer temperatures in Japan.

This is the environmental segment. The market for pumps and plant business have remained roughly in line with the previous year, but stable demand is expected, supported by the National Resilience Plan. However, construction delays caused by material shortages have become chronic, resulting in delivery delays. In the market for wastewater treatment, demand from domestic factories has remained strong, in line with the trend of production returning to Japan mentioned earlier.

Revenue in the other segment came to JPY8 billion, down JPY0.6 billion YoY.

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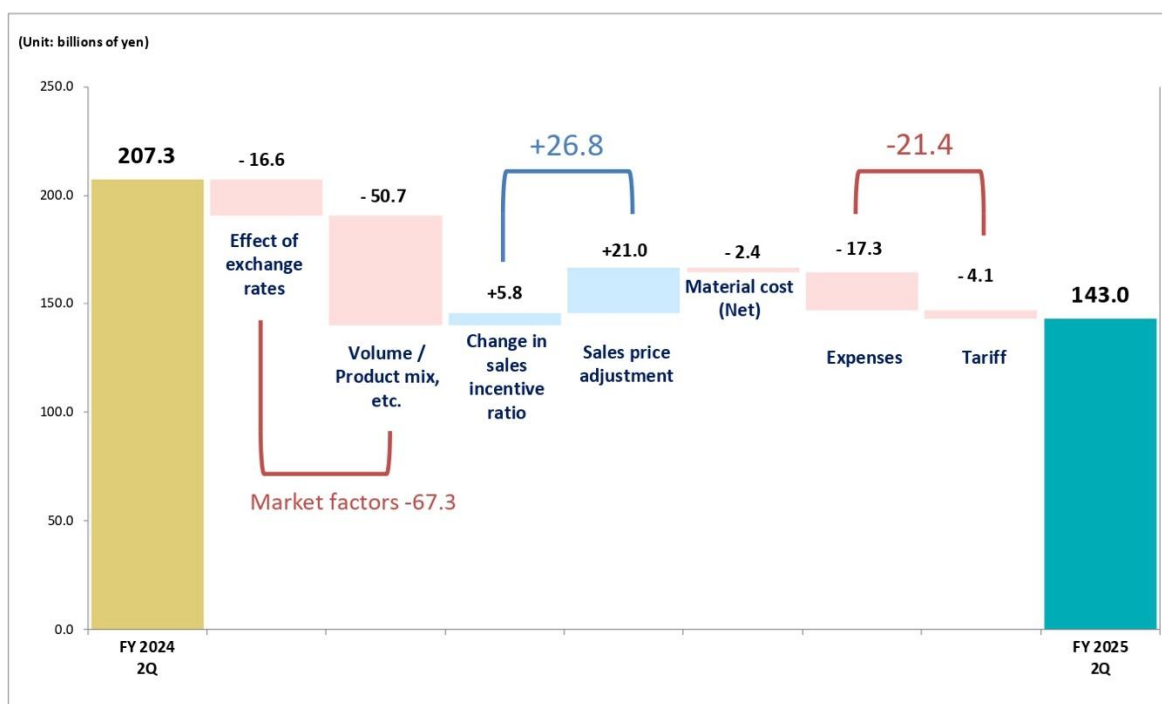
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# Operating Profit

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## Profit analysis (YoY change -64.3 billion yen)



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See page seven. This slide shows a summary of the analysis of changes in operating profit YoY.

Operating profit declined by JPY64.3 billion YoY. With respect to exchange rate fluctuations, the yen appreciated from the beginning of the year through Q2, resulting in a foreign exchange loss. The overall impact of exchange rate movements was a negative factor of JPY16.6 billion on operating profit.

The volume/product mix, etc. contributed to a decline of JPY50.7 billion, mainly due to a downturn in North America following a reaction to inventory fulfillment and deteriorating market conditions.

The incentive ratio led to a JPY5.8 billion increase, driven by lower market interest rates in North America, as well as the effects of curbing retail finance programs.

The impact of price revisions generated an increase of JPY21 billion, mainly in North America.

With regard to raw material prices, although cost reduction efforts have been ongoing, the impact of supplier support measures aimed at stabilizing procurement offset these efforts, resulting in a JPY2.4 billion decline.

Increases in fixed costs, personnel expenses, and depreciation and amortization contributed to a JPY17.3 billion decrease.

The negative impact of US reciprocal tariffs for H1 of this year was JPY4.1 billion.

Compared to the initial forecast, operating profit was nearly in line with expectations, as the negative impact of lower sales and the tariffs was offset by effective control of incentives and fixed costs.

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We will now move on to the full-year forecast for FY2025.

## Financial Forecast for FY 2025

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(Unit: billions of yen)	FY 2025 (Forecast)	FY 2024 (Actual)	Changes		Previous forecast (Feb. 2025)
			Amount	%	
<b>Revenue</b>	<b>2,880.0</b>	<b>3,016.3</b>	<b>-136.3</b>	<b>-4.5</b>	<b>3,050.0</b>
Japan	650.0	632.5	+17.5	+2.8	658.0
Overseas	2,230.0	2,383.8	-153.8	-6.5	2,392.0
North America Machinery	1,111.0	1,253.6	-142.6	-11.4	1,237.9
<b>Operating profit</b>	7.6% <b>220.0</b>	10.5% <b>315.6</b>	<b>-95.6</b>	<b>-30.3</b>	9.2% <b>280.0</b>
<b>Profit before income taxes</b>	8.2% <b>236.0</b>	11.1% <b>335.3</b>	<b>-99.3</b>	<b>-29.6</b>	9.7% <b>297.0</b>
<b>Profit attributable to owners of the parent</b>	4.9% <b>142.0</b>	7.6% <b>230.4</b>	<b>-88.4</b>	<b>-38.4</b>	6.4% <b>196.0</b>
<b>1USD (JPY)</b>	<b>145</b>	<b>152</b>			<b>145</b>
<b>1EUR (JPY)</b>	<b>161</b>	<b>164</b>			<b>152</b>
<b>1THB (JPY)</b>	<b>4.32</b>	<b>4.30</b>			<b>4.20</b>

Excluding the impact of foreign exchange rates, revenue decreases by ¥41.0 billion and operating profit declines by ¥67.1 billion.

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Please turn to page nine. We expect revenue to decrease by JPY136.3 billion or 4.5% from the previous year to JPY2,880 billion. Operating profit is projected at JPY220 billion, down JPY95.6 billion or 30.3%, and net profit at JPY142 billion, down JPY88.4 billion or 38.4%.

The assumed exchange rates for the full year are JPY145 to the US dollar, JPY161 to the euro, and JPY4.32 to the baht. Excluding the impact of foreign exchange rates, revenue is expected to decrease by JPY41 billion and operating profit by JPY67.1 billion.

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## Revenue Forecast by Reportable Segment

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**Machinery: 2,485.0 billion yen (YoY: -151.9)**



Let's turn to page 10 for the revenue forecast by business segment.

Let me begin with the machinery business. We forecast that the revenue will be JPY2,485 billion, down JPY151.9 billion YoY.

I would now like to explain the market trends by region.

First, Japan. Domestic agricultural machinery market is expected to remain solid and recover YoY, supported by rising and stabilizing rice prices. The CE market is also projected to remain at the same level as the previous year, driven by solid demand for infrastructure construction. We will continue to focus on supplying products that meet market needs.

Next, North America. In the CE market, demand is expected to remain firm, supported by government investment in infrastructure development and the renewal of aging infrastructure. As for the housing market, we are seeing some potential for recovery, as new housing starts are stabilizing and policy interest rates are expected to be lowered in H2 of the year.

We expect to increase our market share through the full model change of our compact track loader announced last year.

As for the tractor market, the residential market is expected to remain sluggish, but we do not anticipate a further decline, as the tariff policies are starting to settle and uncertainty about the outlook is easing. The overall agricultural market continues to be sluggish, but livestock-related markets remain more stable than

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other agricultural sectors, supported by persistently high beef prices. Continuing from H1, we expect to gain market share, driven by the impact of the new medium-sized tractor models we have introduced.

Next, Europe. In the CE market, we expect conditions to bottom out and show a clear recovery trend in countries such as the UK and Italy, supported by further interest rate cuts and government measures. In Germany as well, we see the possibility of a market rebound toward the end of this year, driven by expectations for a large public budget. In the tractor market, rising commodity prices and improving business sentiment are contributing to signs of recovery.

Finally, Asia. In the Thai market, while rice prices are trending slightly lower, the rice market is expected to remain firm. The dryland market is expected to recover from the floods, and with the full-scale launch of new tractor models in H2, we plan to capture demand ahead of the next work season. The CE market is projected to remain strong, supported by an expected increase in the government budget.

The Indian market is currently expected to remain strong, supported by ample rainfall. Government support is also increasing, including expanded purchase guarantees, and further progress in agricultural mechanization is anticipated. In India, we will work to expand sales by introducing new models developed by Escorts Kubota that leverage Japanese engineering technology.

## Revenue Forecast by Reportable Segment

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### Water & Environment: 380.0 billion yen (YoY +17.4)

Market trend

Conditions in each market (No major changes)

#### Pipe system



Orders of ductile iron pipes are steady due to growing demand for seismic retrofitting of pipes. Although the demand of plastic pipes for infrastructure is steady, the demand for housing market has declined.

#### Industrial products



In the cracking tubes market, demand for overseas new plant remains stable. Orders for air-conditioning equipment are progressing well due to the trend to choose Japan as a new factory site and measures against heat wave.

#### Environment



Under the national resilience plan, stable demand is expected for plants and pumps. Construction delays due to material shortages have become chronic. The market of wastewater treatment remains steady supported by demand from factories in Japan.

### Other: 15.0 billion yen (YoY -1.8)

Other is mainly comprised of a variety of other services such as logistics.

Let's move on to page 11. I will explain the current status of the water and environment business.

Revenue in the water and environment business is expected to be JPY380 billion, an increase of JPY17.4 billion YoY. Overall, the market situation is not expected to change significantly from H1 and is projected to remain

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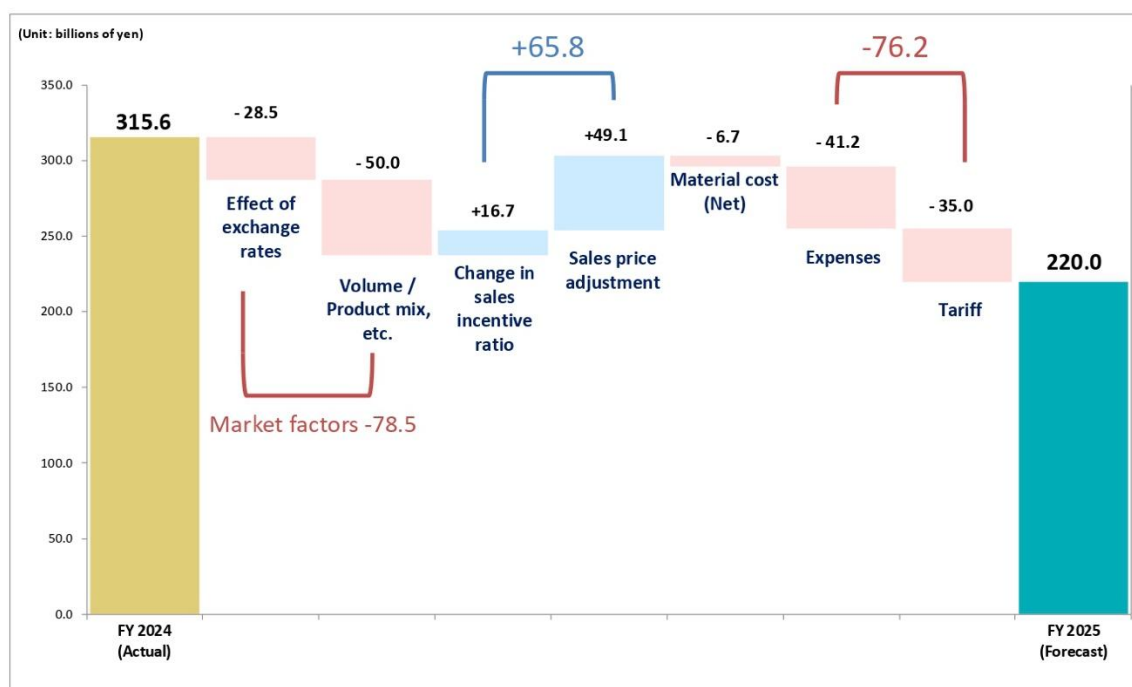
firm. However, construction progress has been delayed due to labor shortages and delays in on-site equipment procurement. Kubota will work to improve operating profit margin through growth in areas such as O&M.

Revenue in the other segment is expected to be JPY15 billion.

## Operating Profit Forecast

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### Profit analysis (YoY change -95.6 billion yen)



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Continuing on page 12, I will now explain the factors behind the change in the operating profit forecast from last year.

We are forecasting full-year operating profit of JPY220 billion compared to JPY315.6 billion in the previous year, representing a decrease of JPY95.6 billion.

Compared to last year, we expect a negative impact of JPY28.5 billion from foreign exchange fluctuations as the yen continues to appreciate and a further JPY50 billion from changes in volume and product mix, bringing the total to a negative JPY78.5 billion.

We expect a positive contribution of JPY16.7 billion from the suppression of incentives, mainly in North America and a further JPY49.1 billion from price revisions, bringing the total to a positive JPY65.8 billion. In particular, incentives are expected to improve by JPY22.6 billion compared to our initial forecast.

On the other hand, although personnel expenses, fixed costs, and other costs have been reduced from the initial forecast, they are expected to increase by JPY41.2 billion YoY. Combined with the JPY35 billion impact of the reciprocal tariffs, this results in a total negative effect of JPY76.2 billion. It will be difficult to fully absorb these costs within the current fiscal year.

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Lastly, we are continuing to drive cost reductions through VA/VE and other initiatives and expect to achieve savings of nearly JPY9 billion on an accrual basis, including improvements in market conditions. However, as mentioned earlier, we are incurring costs for supplier support to stabilize procurement, and price increases implemented in H2 of last year will have a full-year impact this year. As a result, we expect a total negative impact of JPY6.7 billion.

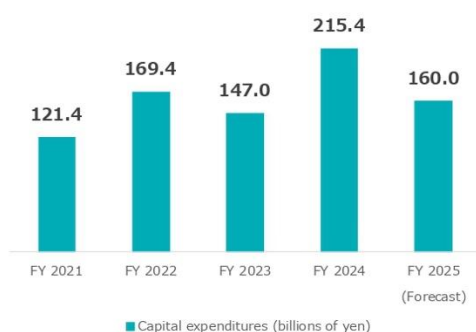
As a result, we expect a JPY95.6 billion decrease in operating profit compared to last year.

As for the exchange rate in H2, we expect the yen to appreciate slightly from the current level, with the US dollar at JPY142. If the rate remains at the current level through the end of the year, the negative impact on profit is expected to be smaller than currently projected.

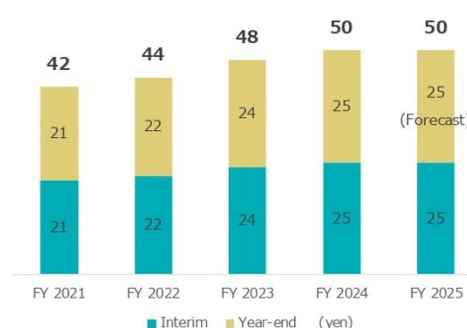
## CAPEX, R&D expenses and Dividend

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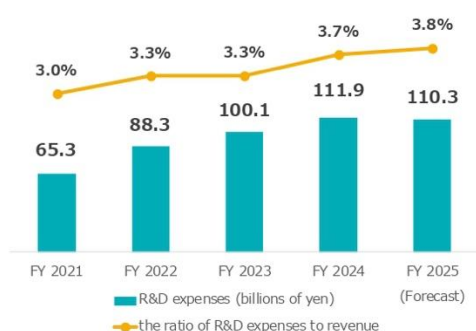
### ■ CAPEX



### ■ Dividend per common share



### ■ R&D expenses



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See page 13 for details on Capex, R&D expenses, and dividends.

Capex is projected at JPY160 billion, in line with our initial plan. R&D expenses are also expected to total JPY110 billion. The interim dividend will be JPY25 per share, in line with the forecast announced at the beginning of the fiscal year.

As Mr. Kitao will explain in the latter part of the presentation, cash flow is steadily improving. While profit is expected to decline, the annual dividend will be JPY50 per share.

This concludes the summary of consolidated financial results for Q2 of FY2025 and the outlook for the full year of FY2025.

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**Kitao:** Next, I, Kitao, will provide an overview of the outlook for our North American business, which continues to draw significant attention due to the impact of the tariff policies, as well as Kubota's approach to addressing the situation going forward.

## The U.S. business outlook and strategy

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### The U.S. market outlook for 2025

- In the first half, the U.S. market contracted temporarily due to recession concern by tariff policy
- Recent market is steadier than expected

### Strategy for short term

- Strict inventory control aligned with the conservative outlook
- Deal with the tariff by self-initiated efforts such as controlling incentives and fixed cost  
Mitigate the additional tariff cost from this time forward by reviewing incentive program and flexible price adjustment as needed in a timely manner

Please see page 15. As for the outlook for the North American market, we observed a temporary contraction in the tractor market in H1, primarily reflecting the impact of additional tariffs and concerns over an economic slowdown. Since around June, we have seen the decline come to a halt, and the market has remained stable since then. However, given the lingering uncertainties, we have set a more conservative full-year outlook compared to our initial plan.

In the tractor market, cumulative market sales from January through June were around 90% of the prior year, but in the single month of June, the figure improved to 98% to 99%. Meanwhile, the CE market was at 103% for compact track loaders for the January to June period, and mini backhoes at 100.6%. In the month of June alone, they showed a recovery of 11% to 12%, respectively.

Next, I would like to explain our short-term response to the current environment.

For H2 of this fiscal year, we intend to manage inventories carefully based on a conservative market outlook. As of the end of June, dealer inventories of tractors in North America stood at approximately 5.8 months, below six months. Although the market outlook for H2 remains uncertain, we will continue to monitor retail trends closely and maintain firm control over wholesale volumes. This is the basis of our planning for H2.

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In addition, regarding the reciprocal tariffs, we expect to offset most of the cost increase through a combination of incentive adjustments, flexible pricing measures, and self-help efforts such as fixed cost and expense reductions. We will continue to implement flexible pricing strategies and adjust incentives as needed based on market conditions.

As for incentives, we began reviewing financing programs for products such as mowers around March as part of our new initiative to reduce the incentive burden in North America. While we expect the tariff burden to persist into next year, we believe we can manage it effectively by continuing these efforts, including further incentive adjustments, cost-saving initiatives, and flexible pricing strategies.

## The U.S. business outlook and strategy

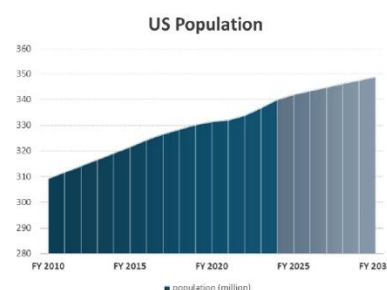
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### The policy for the U.S. business operation for mid-term

<Invest resources in growing and strong business>

#### Construction machinery Equipment

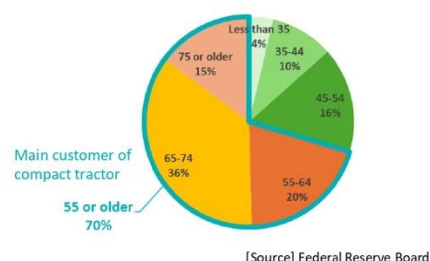
- The market continues to develop supported by demand for housing and infrastructure driven by population growth
- Enhance accelerate new product development and production capability by shifting resources to CE business



#### Tractor

- Accelerate business development in the mid-size category (40-100HP) which is potential market with limited players
- The small-size market grows gradually with the pre-COVID level as a baseline, in the context of population growth
- Focus on the upper-middle class prioritizing securement of stable profitability amid intensifying market competition due to new entrants
- “fundamental and underlying business”

Financial assets holders by age (2022)



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Please see page 16. I would now like to explain our medium-term approach to business operations in North America.

As for our basic policy, as mentioned during the earnings announcement in February, we aim to operate in a balanced manner by allocating management resources to businesses with strong growth potential and profitability. In our North American operations, we expect the CE market to expand, supported by continued strong demand for housing and infrastructure development driven by population growth.

As shown in the graph, the population is expected to continue growing through 2030. Following a correction from the surge in demand during the COVID-19 pandemic, housing starts have returned to about the same level as in 2019, currently standing at approximately 1.3 million units. Given this ongoing population growth and the persistent shortage of housing supply, we expect the market to continue expanding steadily over the next five years.

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To strengthen our internal capabilities in the CE business, we, Kubota, have already been accelerating the introduction of various new products and expanding our production capacity.

Next, regarding the tractor business. First, we aim to accelerate our initiatives for medium-class tractors in the 40 to 100 horsepower range. While the overall market is shrinking in the short term due to falling crop prices, we expect the hay, cattle, and other livestock-related segments to remain solid, supported by firm beef prices.

In addition, Kubota has delivered strong performance in high-value-added segments such as vineyard and fruit-related applications, increasing its market share over the past several years. As this is part of the food production market, we believe demand in this segment remains highly stable.

On the other hand, the market for compact tractors of 40 horsepower or less, commonly referred to as residential tractors, has become part of people's lifestyles since around 2000, as many retirees aspired to own a Kubota tractor in their backyard. The market had steadily expanded, supported by population growth and an increasing number of retirees.

During the COVID-19 pandemic, there was a temporary surge in stay-at-home demand. However, a significant portion of demand was brought forward, and as a result, the market has been on a gradual decline over the past several years.

Turning to the market environment, as shown in this pie chart, which shows the age composition of financial asset holders. In the residential segment we are targeting, our primary customer base consists of the upper middle class, particularly those aged 55 and over. We believe this segment will continue to show growth going forward.

On the other hand, competition has been intensifying in recent years with the emergence of new players. Rather than pursuing short-term gains in market share, Kubota intends to treat this as a solid base business.

Looking ahead, we expect this customer segment to continue expanding. To address this trend, we are currently working with Escorts in India on the Global Innovative Tractor project. Through this initiative, we aim to offer a lineup of new competitive products and cost-competitive platform models.

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## Advance the business structure reform

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### Advance the business structure reform

- Enhance the product competitiveness
  - Increase resources for growing segment (CE, Mid-sized tractor)
  - Platforming through the GIT project (Global Innovative Tractor project) leveraging India resources for the competitive small-size market
- Review of supply chain
  - Promote optimization of production allocation and procurement, and factory upgrade by comprehensive judgement from the point of view of factors such as exchange rate, tariff, labor force and supplier' capability

New factory in Georgia



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Next, please see page 17. Now, I would like to talk about Kubota as a whole, with a particular focus on three key points regarding the promotion of structural reforms in our North American operations.

The first point is strengthening product competitiveness. As mentioned earlier, we intend to allocate more resources to the CE and mid-sized tractor segments, both of which are expected to drive future growth.

In the mid-sized tractor, we introduced the new models, and we aim to enhance our competitiveness in these segments. For compact tractors, as mentioned earlier, we are currently developing a new tractor platform that fully leverages the competitiveness of our manufacturing base in India.

The second point is strengthening and reviewing our supply chain. In response to the newly imposed tariffs, we aim to promote optimal production and procurement locations, and factory upgrades based on a comprehensive assessment of foreign exchange rates, labor availability, supplier capabilities, and other key factors.

In North America, as shown in the photo on the right side of this slide, we began operations in June at our seventh state-of-the-art factory located in Georgia, which is dedicated to implements. This facility is equipped with advanced systems for fully automated welding processes.

As you may know, implements are not only essential for tractors but are also seeing rapidly growing demand as aftermarket parts for mini backhoes and CTLs. We have already started operations at our CTL plant in Kansas, and we plan to further strengthen our North American production network going forward. Kubota remains firmly committed to investing in its North American operations.

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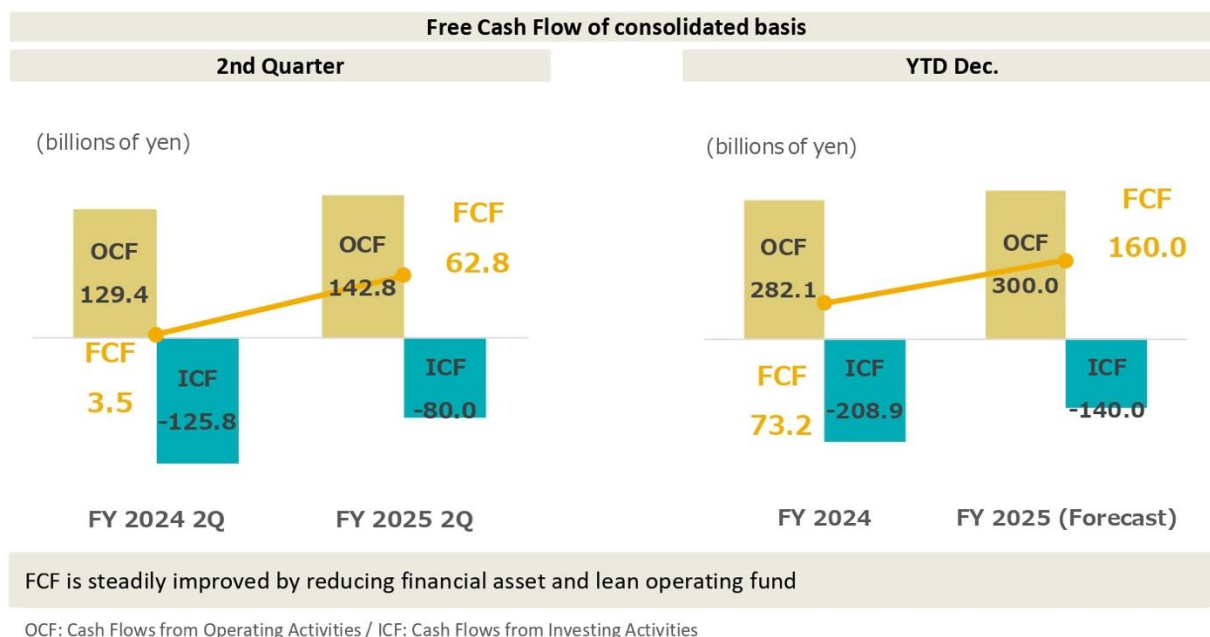
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## Advance the business structure reform

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- Transform to capital efficient management
- Not pursue to expand sales volume and market share in every market and product
- Not heavily depending on retail financing (reviewing 0% finance program), structural change for lean inventory management, oriented for generating FCF more than profit



**KUBOTA Corporation** (Financial Results for FY 2025 2nd Quarter)

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Next, please see page 18. Lastly, I would like to discuss our strategic shift toward capital-efficiency-oriented management.

Rather than pursuing market share across all markets and product categories, we intend to promote a focused and selective business strategy.

As mentioned earlier, in the case of compact tractors in North America, special demand during the pandemic has led to a volume-driven management approach for certain models, which has contributed to a decline in our capital efficiency. Going forward, we aim to make strategic decisions that prioritize capital efficiency over mere growth, taking into account the specific environment and potential of each market. In North America as well, we are transitioning to a management approach that places firm emphasis on ROIC.

The second point is retail finance. Our current sales structure remains highly dependent on retail financing, such as 0% interest programs, and we intend to reassess this approach. At the same time, we aim to enhance capital efficiency and generate more cash flow than profit by aggressively promoting inventory reduction initiatives.

The review of 0% financing began this March with mowers. While the impact is still limited, we have already seen some contribution to the reduction in financing receivables, resulting in positive free cash flow of JPY62.8 billion in Q2.

For the full year, we expect free cash flow of JPY160 billion. We will continue our efforts to reduce financing receivables and improve working capital, aiming to increase net profit and generate more cash flow.

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Finally, to summarize, the decline in profit this time was largely driven by lower sales in the North American market, particularly in wholesale, triggered by inventory adjustments made in the previous fiscal year. That said, the current retail environment is showing good signs of improvement. We remain confident that Kubota's sales in both the tractor and CE markets will grow in the coming fiscal year and beyond.

First of all, Kubota intends to focus on the large and growing North American market by strengthening resources for CE and mid-sized tractors, enhancing our product lineup, and implementing effective sales strategies.

The CE market in Europe has also begun to bottom out. As recently reported in The Nikkei, we also plan to strengthen our dealer network by expanding our product lineup of OEM models, such as 14-ton excavators and wheeled excavators.

In India, the market is expected to reach 1 million units this year. To capture this opportunity, we plan to launch our new product series, Promaxx, and drive sales expansion. Weather conditions in Asia are also steadily recovering, and we anticipate continued growth in the region.

Although we are seeing a slight impact from reduced sales in the current fiscal year, we aim to achieve growth above the previous level starting next year. That concludes my presentation.

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## Question & Answer

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**Matsui [M]:** Okay, we will open the floor for Q&A session.

If you have any questions, please feel free to reach out.

**Company Representative [M]:** Mr. Adachi from Goldman Sachs, please go ahead.

**Adachi [Q]:** Thank you for your help. My name is Adachi from Goldman Sachs.

I have two questions.

My first point is regarding inventory. Given the seasonality, the period from Q1 to Q2 tends to be when inventories typically increase. In fact, looking at demand trends in North America, I've seen many competitors report QonQ increases in their inventory levels. In contrast, your company appears to be steadily reducing inventory across all product categories. This gives me the impression that the bold initiatives for inventory reduction, as mentioned by the President at the end of the presentation, have been effective.

That said, I believe your company had already been making certain production adjustments, particularly for tractors, even last year, so the underlying efforts themselves likely haven't changed dramatically. Given that, the fact that we are seeing such a rapid improvement now makes me wonder if there have been any internal changes within the Company. If there are any additional measures or initiatives that have contributed to the success of your inventory reduction efforts, I would appreciate it if you could share them with us.

**Kitao [A]:** Thank you very much for your question.

As I mentioned earlier, we are managing our business with a strong focus on ROIC, and as of the end of June this year, inventories have been declining globally. This is a deliberate management initiative, and we are working to gradually reduce inventory levels. We are not taking any particularly unconventional approaches, but we are currently proceeding with a careful, model-by-model review to manage the situation appropriately.

In North America, tractor inventories have been reduced by approximately 0.8 months since the end of last year. We are managing this closely while monitoring market trends. As for the CE segment, inventory levels were somewhat insufficient last year, so we are currently taking steps to rebuild stock slightly. That said, inventory still remains at around four months.

**Adachi [Q]:** Thank you very much.

If I may, just to confirm, there haven't been any particular changes, such as raising the internal ROIC target or setting stricter inventory turnover benchmarks than before. Is that correct?

**Kitao [A]:** There has been no change. That said, regarding the targets mentioned in our medium-term business plan, we have not yet been able to achieve them. In light of this, we have now begun managing our operations with greater discipline and a more rigorous approach.

**Adachi [Q]:** Understood. Thank you very much.

My second question concerns production capacity. I believe we had some discussion on this topic at the beginning of the fiscal year, but this time, you reiterated that you will place greater emphasis on growth areas,

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CE and medium-sized tractors, and will work to improve the efficiency of resource allocation. At the same time, I understand that you remain firmly committed to capital investment in the growing North American market.

I believe that building new plants will inevitably lead to higher fixed costs going forward. At the same time, I also feel there may still be room for cost reduction, particularly in areas such as small tractors. With that in mind, could you share your current thinking on how you plan to enhance utilization and improve efficiency at your production sites, including efforts to reduce fixed costs?

Thank you.

**Kitao [A]:** Yes, that's correct. As I mentioned earlier, we may have pushed a bit too aggressively on market share and sales in our compact tractor business. We're now taking a step back to review the business, including the possibility of consolidating or streamlining operations.

On the other hand, for CE and medium-sized tractors, which we expect to remain growth drivers, we intend to continue investing in equipment and facilities. In Japan, the Tsukuba Plant will play a central role, and we are strengthening capital investment, including in engines, to expand production capacity. We hope to execute these initiatives effectively. That said, I do recognize that there are still several areas that need to be reviewed from a global perspective.

**Adachi [Q]:** Thank you very much. You mentioned plans for additional capital investment, such as in the Tsukuba Plant for mid-sized tractors. When looking at the overall picture on a net basis, should I understand that fixed costs will remain largely unchanged? Or, is the direction more toward reallocating excess resources, such as those related to small tractors, into growth areas like CE, thereby slightly reducing overall fixed costs?

**Kitao [A]:** While we are conducting various reviews and adjustments, fixed costs will naturally increase where necessary. We will strive to keep the overall costs under control.

**Adachi [M]:** Understood very well That concludes my questions. Thank you very much.

**Matsui [M]:** With that, we will conclude Q&A session.

[END]

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