

Financial Results for the year ended December 31, 2019



Beyond 130

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February 19, 2020



Financial Summary

For Earth, For Life
Kubota

(Unit: billions of yen)	Year ended Dec. 31, 2019	Year ended Dec. 31, 2018	Changes		Variance from revised forecast (Nov. 2019)	
			Amount	%	Amount	%
Revenue	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
Operating profit	10.5% 201.7	10.2% 189.3	+12.3	+6.5	+1.7	+0.8
Profit before income taxes	10.9% 209.0	10.7% 197.2	+11.8	+6.0	+1.0	+0.5
Profit attributable to owners of the parent	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	%
Total assets	3,139.3	2,895.7	+243.7	+8.4
Equity attributable to owners of the parent	1,442.8	1,339.9	+103.0	+7.7

Revenue by Reportable Segment

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

Domestic revenue	625.4	577.3	+48.0	+8.3
Overseas revenue	1,294.7	1,273.0	+21.7	+1.7

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)

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

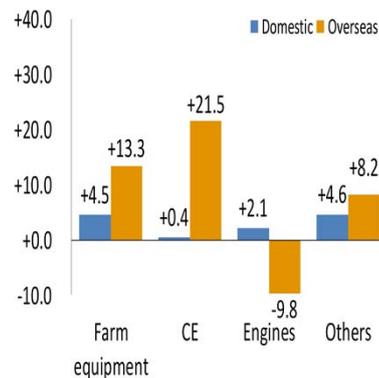
Domestic

- 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)



KUBOTA Corporation (Financial results for the year ended December 31, 2019) 4

① Domestic revenue in Farm & Industrial Machinery

- Domestic revenue : +11.7 billion yen (+4%)
- Revenue from farm equipment increased by 4.5 billion yen (+4%) because sales of tractors and rice transplanters increased mainly due to rushed demand before the consumption tax hike and newly introduced models.
- Revenue from construction machinery (hereinafter, CE) remained at the same level as the prior year due to delays in production and shipment caused by the typhoon, while demand was strong.
- Revenue from engines increased by 2.1 billion yen (+12%) due to strong sales to domestic and overseas markets by domestic OEM clients.
- Revenue from Others increased by 4.6 billion yen (+3%) due to an increase mainly in sales of agricultural-related products.

② Overseas revenue in Farm & Industrial Machinery

- Overseas revenue : +33.3 billion yen (+3%)
- Revenue from tractors in Farm equipment increased by 30.1 billion yen (+6%).
 - ✓ Revenue in North America increased mainly because demand for compact and medium-sized tractors continued to expand. In addition, sales of large-sized tractors increased significantly due to introduction of a redesigned model.
 - ✓ Revenue in Thailand increased due to stable prices of rice and cassava, as well as success in sales measures such as selecting priority customers in consideration of market conditions such as crop market conditions although the growth slowed due to floods caused by typhoons from the late August to the early September in addition to drought.
- Revenue from combine harvesters and rice transplanters in Farm equipment decreased by 16.7 billion yen (-19%).
 - ✓ In China, sales of both combine harvesters and rice transplanters declined as demand continued to shrink due to a decline in profitability of farmers and contractors resulting from low rice prices and intensified competition among contractors.
- Revenue from CE increased by 21.5 billion yen (+9%).
 - ✓ In North America, revenue increased significantly mainly due to expanded demand and the increased market share due to the newly introduced model of compact truck loaders, while shipments from Japan were delayed due to a delay in parts supply caused by the Typhoon No. 19. In addition, there was also a positive effect from the realization in shipments of some products, which had been carried over from the FY2018 to the FY2019 due to typhoon in 2018.
 - ✓ Overall revenue in Europe declined due to decreased sales in the U.K. along with uncertainty associated with Brexit and the negative impact of yen appreciation against the Euro and the British pound sterling, while sales in Germany and France were strong due to strong demand for construction.
 - ✓ Revenue in China decreased due to intensified competition with local manufacturers mainly in the market of excavators of 4t or greater.
- Revenue from engines decreased by 9.8 billion yen (-7%).
 - ✓ Revenue decreased due to adverse reaction from rushed demand in 2018 caused by tightening of emission regulations in Europe and production adjustments by some OEM clients in North America in late 2019.
- From the perspective of revenue by regions, revenue in Japan and North America increased, while revenue in Europe, Asia outside Japan, and Other regions decreased.

Revenue by Reportable Segment (Year-on-Year)

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

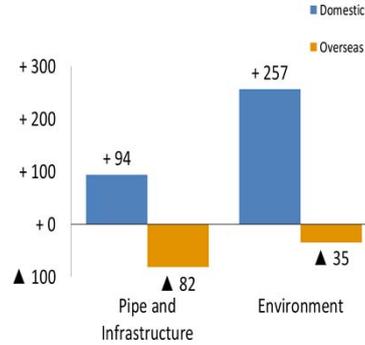
Domestic

- 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 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

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

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

1. Fluctuation in exchange rates	US\$ (110→109 *1) Euro (130→122 *1) Other currencies	-1.5 billion yen -5.5 billion yen -2.5 billion yen	} -9.5 billion yen
2. Foreign exchange gain/loss		+3.3 billion yen	
3. Material	Machinery Water	-4.0 billion yen 0.0 billion yen	} -4.0 billion yen
4. Change in sales incentive ratio	North America : +13.3 billion yen etc.	+12.4 billion yen	
5. Impact of increased sales		+19.0 billion yen	
6. Sales price increase		+15.3 billion yen	
7. Other		-24.2 billion yen	

*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

KUBOTA Corporation (Financial results for the year ended December 31, 2019) 6

- Material (-4.0 billion yen)
 - ✓ It was mainly due to an effect of an increase in U.S. tariffs towards imports from China and increased costs of purchased parts in Japan.
- Change in sales incentive ratio (+12.4 billion yen)
 - ✓ It was the significant positive impact mainly due to declined interest rates in the U.S., while severe sales competition continued and strong incentive programs were maintained.
- Sales price increase (+15.3 billion yen)
 - ✓ It was mainly due to sales price hikes by sales subsidiary in the U.S.
- Other (-24.2 billion yen)
 - ✓ It included an increase in personnel expenses (-5.4 billion yen), an increase in sales expenses (-13.0 billion yen), an increase in manufacturing expenses (-1.0 billion yen), and other expenses (- 4.8 billion).
 - ✓ Other expenses above (- 4.8 billion) included losses of 4.0 billion yen related to natural disasters such as typhoons. (The effects of typhoons in 2018 and 2019 were about -2.0 billion yen for each.)

Operating Profit by Reportable Segment

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(Unit: billions of yen)		Year ended Dec. 31, 2019 (Actual)	Year ended Dec. 31, 2018 (Actual)	Changes
Machinery	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
Water	Revenue	315.7	292.3	+23.5
	Operating profit	26.7	19.9	+6.9
	OP margin	8.5%	6.8%	+1.7P
Other	Revenue	31.6	30.4	+1.2
	Operating profit	3.6	3.0	+0.6
	OP margin	11.4%	9.9%	+1.5P
Adjustment	Operating profit	-33.2	-34.5	+1.3
Total	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

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- Operating profit in Farm & Industrial Machinery increased because of some positive effects from increased sales in the domestic and overseas markets and the improvement in sales incentive ratio resulting from declined interest rates in the U.S., which compensated for some negative effects from an increase in fixed costs and the yen appreciation.
- Operating profit in Water & Environment increased significantly mainly due to the positive impact of raised product prices and sales increase mainly in ductile iron pipes, construction business, and the project of waste disposal and treatment facility in Futaba Town. The increase in operating profit of Water & Environment accounted for more than half of the increase in operating profit of the Company.
- *Adjustment* improved mainly due to a decrease in foreign exchange losses.

Profit Before Income Taxes/ Profit for the Year

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(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

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(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.

- There is no change in basic policy on shareholder return.

Statement of Financial Position (Assets)

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(Unit: billions of yen)	As of Dec. 31, 2019	As of Dec. 31, 2018	Changes	Changes ex the effects of fluctuation in exchange
Current assets	1,718.9	1,639.5	+79.4	
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	
Noncurrent assets	1,420.4	1,256.1	+164.3	
Finance receivables	699.2	621.9	+77.4	
Other	721.2	634.2	+86.9	
Total assets	3,139.3	2,895.7	+243.7	
Total finance receivables	993.2	889.1	+104.0	+96.0
<Reference> Foreign exchange rate at the end of the term (yen)				
U.S. dollar	110	111	-1	
Euro	123	127	-4	

KUBOTA Corporation (Financial results for the year ended December 31, 2019) 10

- Trade receivables increased by 22.0 billion yen excluding the effects of fluctuation in exchange rates.
 - ✓ Trade receivables of sales subsidiaries mainly in the U.S., where sales were strong, increased due to progress in restocking by dealers.
- Inventories increased by 13.0 billion yen excluding the effects of fluctuation in exchange rates.
 - ✓ Inventories increased mainly due to an increase in inventories in North America, despite a reduction in inventories in China, where market of farm equipment shrank significantly.
- Total current and noncurrent finance receivables increased by 96.0 billion yen excluding the effects of fluctuation in exchange rates.
 - ✓ This increase was mainly due to strong retail sales in North America and Thailand.
 - ✓ Collection status of finance receivables remained favorable.
- *Other* of noncurrent assets increased by 86.9 billion yen.
 - ✓ This increase was mainly due to an increase in property, plant and equipment by 75.3 billion yen.
 - ✓ An increase in property, plant and equipment included the transitory effects from recognition of right - of - use assets in the fiscal year ended December 31, 2019 along with adoption of new accounting standards (IFRS 16, *Leases* (hereinafter, "IFRS16"))).

Statement of Financial Position (Liabilities)

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(Unit: billions of yen)	As of Dec. 31, 2019	As of Dec. 31, 2018	Changes	Changes ex the effects of fluctuation in exchange
Current liabilities	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	
Noncurrent liabilities	600.4	546.4	+54.0	
Bonds and borrowings	516.4	490.2	+26.2	
Other	83.9	56.2	+27.7	
Total liabilities	1,602.1	1,469.2	+132.9	
Total interest-bearing liabilities	903.0	839.3	+63.7	+61.0
Net debt equity ratio	0.49	0.46	+0.03	
Net debt equity ratio (ex financial services)	-0.14	-0.18	+0.04	

KUBOTA Corporation (Financial results for the year ended December 31, 2019) 11

- Total current and noncurrent interest-bearing liabilities increased by 61.0 billion yen excluding the effects of fluctuation in exchange rates.
 - ✓ Interest-bearing liabilities increased in North America due to an increase in finance receivables.
- Total *Other* in current and noncurrent liabilities increased by 82.1 billion yen.
 - ✓ *Other* increased by around 39.0 billion yen due to the recognition of lease liabilities resulting from adoption of “IFRS 16”.
 - ✓ The reason why the amount above (39.0 billion yen) was less than the amount recorded as the right-of-use assets was that lease liabilities were not recognized in case that lease payments for lands were prepaid mainly in China.

Statement of Financial Position (Equity)

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(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
Total equity	1,537.2	1,426.4	+110.8

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

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(Unit: billions of yen)	Year ended Dec. 31, 2019	Year ended Dec. 31, 2018	Changes
Net cash provided by operating activities	82.4	89.1	-6.7
Increase in finance receivables	-97.0	-97.3	+0.3
Other	179.4	186.4	-7.1
Net cash used in investing activities	-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
Net cash used in financing activities	-21.5	-27.8	+6.3
Effect of exchange rate changes on cash and cash equivalents	1.1	-4.2	+5.3
Net decrease in cash and cash equivalents	-29.5	-1.6	-27.9
Free cash flow	-12.4	25.8	-38.2
Free cash flow (excluding the changes in finance receivables)	84.5	123.0	-38.5

KUBOTA Corporation (Financial results for the year ended December 31, 2019) 13

- Net cash provided by operating activities
 - ✓ Total amount of cash inflow from profit for the year and depreciation and amortization was 221.3 billion yen in total. Cash outflow caused by an increase in finance receivables was 97.0 billion yen and cash outflow caused by other items was 42.0 billion yen.
 - ✓ An increase in cash outflow caused by other items was mainly due to an increase in trade receivables.
 - ✓ Cash inflow/outflow caused by changes in financial receivables has been included in net cash provided by (used in) operating activities since the FY2018 under IFRS, while it was included in net cash provided by (used in) investing activities under U.S. GAAP.
- We will focus on expanding net cash provided by operating activities in the mid term business plan which will be formulated in this year.
- Net cash used in investing activities included acquisition of land for the construction of the new R&D base and investment in preparation for manufacturing of new engines.
- Free cash flow decreased by 38.2 billion yen from the prior year to cash outflow of 12.4 billion yen.
 - ✓ Free cash flow excluding changes in finance receivables, which we prioritize, was cash inflow of 84.5 billion yen.

Financial Services <Reference (unaudited)>

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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
Total assets	1,181.2	2,048.2	1,101.1	1,907.1
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
Total liabilities	996.5	678.6	932.0	634.4
Total interest-bearing debt	938.0	-	875.7	-
Other	58.4	678.6	56.3	634.4
Total equity	184.7	1,369.7	169.1	1,272.7

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

KUBOTA Corporation (Financial results for the year ended December 31, 2019) 14

- Debt-free status was maintained in equipment operations.
- The financial business maintained sufficient profitability.
 - ✓ The decline in the profitability in 2019 was mainly due to a temporary year-on-year increase in expense related to allowance for doubtful accounts in 2019 because the financial subsidiary in Thailand introduced the idea of expected credit losses, which reversed the allowance to reflect favorable economic conditions, in 2018.
 - ✓ The level of interest margins and the condition of financial receivables maintained favorable.

The image features a teal-colored rectangular area with a thin black border. Inside this area, there are two white rectangular boxes stacked vertically. The top box contains the text "Recent Developments" and the bottom box contains the text "In Machinery".

Recent Developments
In Machinery

Recent Developments in Machinery (North America)

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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%

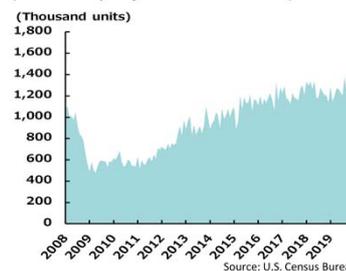
Source: AEM (Association of Equipment Manufacturers)

■ 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)



* RS: Retail sales, WS: Wholesales

KUBOTA Corporation (Financial results for the year ended December 31, 2019) 16

- In the U.S. market, the current economy is solid while there is uncertainty about the outlook for the U.S.-China trade frictions and economic trends after the presidential election.
 - ✓ The number of housing starts (SAAR) remains at the high level over 1.3 million units. (1.61 million units in December 2019)
- ① Tractors
 - ✓ Demand for compact tractors (0-40hp) mainly for home owners is expected to continue to grow moderately.
 - ✓ It is likely that the aggressive sales activities by competitors are expected to continue along with a decrease in financing costs resulting from a decline in interest rates, and severe competition is expected to continue. We aim to increase our market share through the smooth market penetration of new models.
 - ✓ Demand for medium-sized tractors (40-120hp), which had shown a downward trend for several years, had turned to a recovery in 2018, and continued to grow moderately in 2019. This trend is expected to continue in 2020. We aim to increase our market share by introducing the new model which has been strongly demanded by customers and dealers.
 - ✓ Demand for large-sized tractors (over 120hp) has turned to an expansionary trend since 2019, and the recovery trend is expected to continue in 2020 along with an increase in farm income in the prior year. Our market share increased due to strong sales of the redesigned model in 2019. We aim to achieve our market share of more than 10% by steadily promoting sales measures in this year as well.
 - ✓ In addition, we also aim to expand the product lineup by introducing the M8 series which have a maximum of 210hp.
- ② CE
 - ✓ The market growth is expected to continue in this year due to stable construction demand along with a decline in interest rates.
 - ✓ We aim to increase our market share by expanding our dealer network steadily.
 - ✓ However, our wholesales are expected to decrease because of adverse reaction from the realization in shipments of some products, which had been carried over from the FY2018 to the FY2019 due to typhoon in 2018, and the expansion of stocks by dealers along with introduction of the new model in 2019.
- ③ Engines
 - ✓ 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 in the 2nd half of this year.
- We have raised prices of tractors and CE since March 2019. We plan to raise the prices of some tractors and parts this year as well because the raised prices have been steadily penetrated.

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.

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① Tractors

- ✓ Demand for medium-sized tractors (for agricultural market) is expected to show a downward trend due to inclement weather in the prior year and uncertainty about the outlook for European economy.
- ✓ Demand for compact tractors is expected to remain at the same level as the prior year.

② Implement

- ✓ Demand is expected to shrink from the prior year due to inclement weather in the prior year and uncertainty about the outlook for European economy.

③ CE

- ✓ Overall demand in Europe is expected to decrease from the prior year due to uncertainty about the outlook for European economy.
- ✓ On the other hand, demand is expected to recover moderately in the U.K because of recovery from conservative buying of rental companies in 2019 caused by uncertainty of Brexit.
- ✓ We aim to increase our market share by steadily strengthening our dealer network and introducing new models.

④ Engines

- ✓ Despite expectations for a recovery from dropped demand in 2019 caused by adverse reaction from the rushed demand before the new exhaust emission regulations, sales are expected to remain at the same level as the prior year due to conservative production plans by OEM clients reflecting uncertainty about the outlook for European economy.

Recent Developments in Machinery (Asia)

For Earth, For Life
Kubota

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.

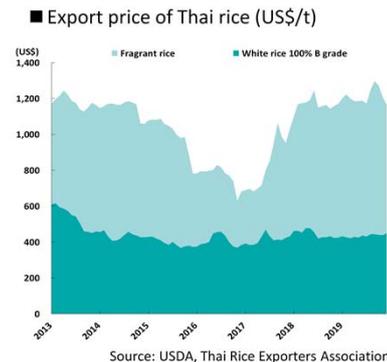
Neighboring countries / RS

〈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.



KUBOTA Corporation (Financial results for the year ended December 31, 2019) 18

① Tractors (Thailand)

- ✓ Demand is expected to be slow in the 1st half of this year due to a decrease in farm income caused by inclement weather in the prior year and the current water shortage. However, demand in the full year is expected to expand because demand in the 2nd half of this year is expected to recover because of stable crop prices and recovery to average weather condition in the rainy season of this year.
- ✓ We aim further expansion in our market share by developing business with new customers and introducing minor changed models of our main products.

② Combines (Thailand)

- ✓ Demand is expected to expand due to recovery from slowed demand in the selling season (2nd half) of the prior year resulting from inclement weather.
- ✓ We aim to further expand our market share by identifying potential customers through analysis of customer lists and engaging in aggressive operating activities.

③ CE (Thailand)

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

④ Exports to neighboring countries

- ✓ Demand for tractors in Cambodia is expected to continue to expand due to stable prices of cassava at a high level.
- ✓ In addition, demand for combine harvesters is also expected to expand due to recovery from the slump in the second half of the prior year.
- ✓ In Myanmar, the market had been sluggish in recent years due to the deterioration in dealers' profitability resulting from depreciation of Myanmar Kyat against the U.S. dollar. However, demand is expected to expand because the market has become accustomed to the current exchange rate level since the 2nd half of the prior year and the agricultural mechanization will advance this year.

Recent Developments in Machinery (Asia)

For Earth, For Life
Kubota

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

KUBOTA Corporation (Financial results for the year ended December 31, 2019) 19

- In the farm machinery business, although demand continued to shrink in the prior year due to stagnated prices of rice and intensifying competition among contractors, profit increased as a result of efforts to reduce fixed costs and improvement of the business structure, even though revenue decreased.
 - Budgeted government subsidies for purchase of farm equipment have not been announced yet, but are expected to remain at mostly unchanged year on year.
 - The severe market environment is expected to continue in this year mainly due to negative effects of flood damage in the Northeast region in the prior year and stagnant rice prices.
- ① Tractors and rice transplanters
 - ✓ Demand is expected to shrink.
 - ② Combines
 - ✓ Demand for general-purpose and head-feeding combine harvesters, which are our main products, is expected to continue to shrink gradually, while demand for corn combines for dry-field cropping market, which have a low mechanization rate, is expected to remain at the same level as the prior year.
 - ✓ We aim to improve our market share by introducing new models, which have higher horsepower and higher processing capacity in response to current market needs.
 - ③ CE
 - ✓ The market is increasingly uncertain as the Chinese economy has slowed due to the U.S.-China trade frictions. On the other hand, local manufacturers are intensifying price competition, and the competitive environment is expected to remain severe.
 - ④ Engines
 - ✓ Demand is expected to remain strong due to increased sales for forklifts, for which our engines were newly adopted in 2019.

Recent Developments in Machinery (Japan)

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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.

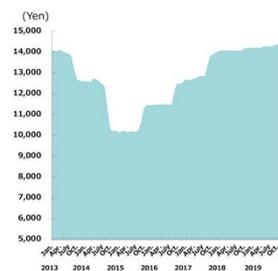
CE / RS

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

KUBOTA Corporation (Financial results for the year ended December 31, 2019) 20

① Farm Equipment

- ✓ Despite structural problems, such as a decline in the number of farmers and the aging of farmers, demand for tractors and rice transplanters slightly increased in the prior year due to rushed demand before the consumption tax hike. Demand for combine harvesters slightly decreased in the prior year.
- ✓ Demand for each equipment in this year 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 disasters.
- ✓ We aim to increase our market share further through the introduction of new models such as tractors with a keeping straight function, and 130th anniversary models of tractors, combine harvesters, and rice transplanters.

② CE

- ✓ Although year-to-date demand had been expanding until October in the prior year due to rushed demand before the consumption tax hike, each manufacture was unable to supply sufficient volume of products due to production stoppages caused by the typhoon. As a result, demand in the full year decreased.
- ✓ Demand in this year is expected to expand because demand in the prior year was carried over to this year.
- ✓ We aim to increase sales by expanding our market share in the segment for rental companies.

③ Engines

- ✓ Strong demand is expected to continue mainly due to strong exports to the North America by domestic OEM clients.

Forecast

Anticipated Operating Results

For Earth, For Life
Kubota

(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	%	
Revenue	1,950.0	1,920.0	+30.0	+1.6	970.0
Domestic	626.5	625.4	+1.1	+0.2	309.0
Overseas	1,323.5	1,294.7	+28.8	+2.2	661.0
Operating profit	10.3% 200.0	10.5% 201.7	-1.7	-0.8	9.6% 93.0
Profit before income taxes	10.6% 207.0	10.9% 209.0	-2.0	-1.0	9.9% 96.0
Profit attributable to owners of the parent	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

For Earth, For Life
Kubota

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

Domestic revenue	626.5	625.4	+1.1	+0.2
Overseas revenue	1,323.5	1,294.6	+28.8	+2.2

*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%.

KUBOTA Corporation (Financial results for the year ended December 31, 2019) 23

- Domestic
 - ✓ Sales of farm machinery are expected to decline from the prior year due to adverse reaction from rushed demand before the consumption tax hike in the prior year, but overall revenue in Farm & Industrial Machinery is expected to increase mainly due to an increase in sales of CE.
 - ✓ With regard to Water & Environment, there is expected to an increase in sales of environmental plants mainly due to increased sales of DBO projects and construction business. However, revenue as a whole is expected to decrease because adverse reaction from increased sales in 2019 caused by significant sales of the construction of melting facility for reducing volume of radioactive waste in Futaba Town, Fukushima Prefecture.
- Overseas
 - ✓ Sales of CE are expected to decrease due to adverse reaction from increased sales in the prior year caused by the introduction of the new model and the realization in shipments of some products, which had been carried over from the FY2018 to the FY2019 due to the typhoon in 2018. However, revenue as a whole is expected to increase because of an increase in sales of tractors, which is expected to compensate for a decrease in sales of CE, in addition to a slight increase in revenue in Water & Environment.
 - ✓ Fluctuation of exchange rates is expected to decrease revenue by 12.0 billion yen due to yen appreciation against the U.S. dollar, Euro, and Baht, etc.

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)

1. Fluctuation in exchange rates	US\$ (109→108 *1) Euro (122→120 *1) Other currencies	-5.0 billion yen -3.0 billion yen -1.0 billion yen	} -9.0 billion yen
2. Foreign exchange gain/loss		+3.0 billion yen	
3. Material	Machinery Water	-1.0 billion yen +1.0 billion yen	} 0 billion yen
4. Change in sales incentive ratio	North America : -2.8 billion yen, Europe: -1.5 billion yen etc.	-4.5 billion yen	
5. Impact of increased sales		+13.0 billion yen	
6. Sales price increase		+4.0 billion yen	
7. Other		-8.2 billion yen	

*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

KUBOTA Corporation (Financial results for the year ended December 31, 2019) 24

- Changes in sales incentive ratio (-4.5 billion yen)
 - ✓ It is expected to be a factor for a decrease in operating profit because a positive impact of a decline in interest rates in North America will not be able to compensate for a negative impact from adverse impact of the reversal of allowance for incentive cost in the prior year.
- Sales price increase (+4.0 billion yen)
 - ✓ Price increase for some products is expected in the U.S. following the price increase in 2019.
- Other (-8.2 billion yen)
 - ✓ Negative impact of *Other* is mainly due to an increase in personnel expenses, R&D expenses, and depreciation and amortization despite a decrease in sales expenses and costs for air transportation of engines.
 - ✓ Production profitability included in the inventory at the end of the prior year was deteriorated because production in the 4th quarter of 2019 decreased significantly due to a negative impact from the delay in parts procurement caused by the Typhoon No.19 and other reasons. Operating profit is expected to be deteriorated by nearly 6.0 billion yen mainly because the deterioration in profitability of the inventory at the end of the prior year is expected to be realized in this year with progress in shipments.

Anticipated Operating Profit by Reportable Segment

For Earth, For Life
Kubota

(Unit: billions of yen)		Year ending Dec. 31, 2020 (Forecast)	Year ended Dec. 31, 2019 (Actual)	Changes
Machinery	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
Water	Revenue	328.0	330.1	-2.1
	Operating profit	29.0	28.1	+0.9
	OP margin	8.8%	8.5%	+0.3P
Other	Revenue	32.0	31.6	+0.4
	Operating profit	3.0	3.6	-0.6
	OP margin	9.4%	11.4%	-2.1P
Adjustment	Operating profit	-31.0	-33.2	+2.2
Total	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

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■ 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.

KUBOTA Corporation (Financial results for the year ended December 31, 2019) 26

- Capital expenditure is up to 115.0 billion yen.
 - ✓ We plan to make investments mainly related to IT infrastructure, such as the introduction of integrated core systems in Japan and North America, BCP measures, production of the new model of engines, and R&D bases in North America and Europe in this year.

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.



Beyond 130

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