

Financial Results

for the six months ended June 30, 2020



Beyond 130

Masato Yoshikawa

Director and Executive Vice President,
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August 7, 2020



Financial Summary

For Earth, For Life


(Unit: billions of yen)	Six months ended June 30, 2020	Six months ended June 30, 2019	Changes	
			Amount	%
Revenue	884.2	970.8	-86.7	-8.9
Domestic	290.2	310.1	-19.9	-6.4
Overseas	594.0	660.7	-66.8	-10.1
Operating profit	9.2% 81.7	11.4% 110.9	-29.3	-26.4
Profit before income taxes	9.5% 84.4	11.8% 114.6	-30.2	-26.4
Profit attributable to owners of the parent	6.7% 59.6	8.4% 81.2	-21.6	-26.6

(Unit: billions of yen)	As of June 30, 2020	As of Dec. 31, 2019	Changes	
			Amount	%
Total assets	3,127.9	3,139.3	-11.4	-0.4
Equity attributable to owners of the parent	1,441.5	1,442.8	-1.3	-0.1

Revenue by Reportable Segment

For Earth, For Life


(Unit: billions of yen)	Six months ended June 30, 2020	Six months ended June 30, 2019	Changes	
			Amount	%
Farm & Industrial Machinery (Machinery)	719.0	800.8	-81.8	-10.2
Domestic	144.6	159.1	-14.5	-9.1
Overseas	574.4	641.7	-67.3	-10.5
Water & Environment (Water)	150.3	154.1	-3.8	-2.5
Domestic	130.9	135.3	-4.4	-3.3
Overseas	19.4	18.8	+0.6	+3.3
Other	14.8	15.9	-1.0	-6.4
Domestic	14.7	15.7	-1.0	-6.2
Overseas	0.2	0.2	-0.0	-21.6
Total revenue	884.2	970.8	-86.7	-8.9

Domestic revenue	290.2	310.1	-19.9	-6.4
Overseas revenue	594.0	660.7	-66.8	-10.1

For reference: Changes excluding the effects of fluctuation in exchange [-18.0 billion yen]
 >Overseas revenue in Machinery decreased by 8%. Total overseas revenue decreased by 7%.

* Beginning with this fiscal year, in conformity with the change in the internal organization, the amounts related to air-conditioning equipment are reported in Water, whereas they were formerly reported in Machinery. Accordingly, the information for the prior fiscal year was retrospectively adjusted to conform to the current year's presentation.

Revenue by Reportable Segment (Year-on-Year)



Machinery: -81.8 billion yen (Domestic: -14.5, Overseas: -67.3)

* The negative impact of COVID-19 on revenue is estimated to be a decrease of around 60.0 billion yen, including a negative effect from delay in production and shipment mainly due to suspended operations in our manufacturing bases.

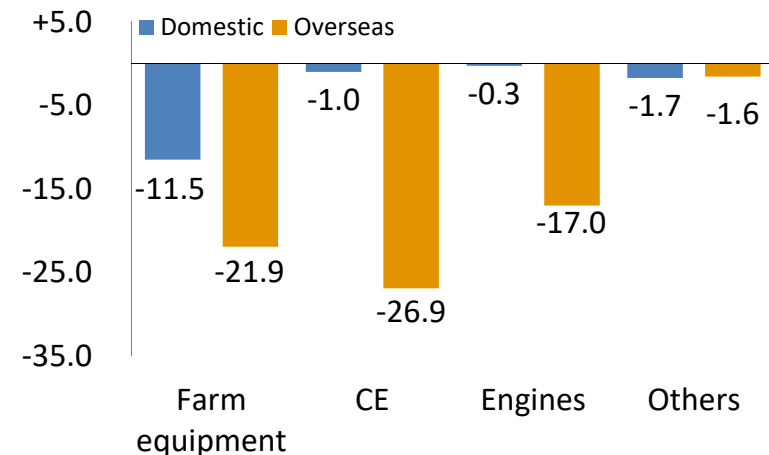
Domestic

- With respect to farm equipment, sales of tractors, rice transplanters and combine harvesters decreased. Sales of construction machinery (CE) and engines also decreased.

Overseas

- Sales of tractors decreased in North America, Europe, and Thailand.
- Sales of combines and rice transplanters increased mainly in Thailand, China, and Taiwan.
- Sales of CE significantly decreased in North America, Europe, and Asia outside Japan.
- Sales of engines significantly decreased in North America and Europe, while those in Asia outside Japan increased due to sales growth in China.

■ Changes in revenue by product (Billions of yen)



Revenue by Reportable Segment (Year-on-Year)



Water: -3.8 billion yen (Domestic: -4.4, Overseas: +0.6)

* The negative impact of COVID-19 on revenue is estimated to be a decrease of around 4.0 billion yen.

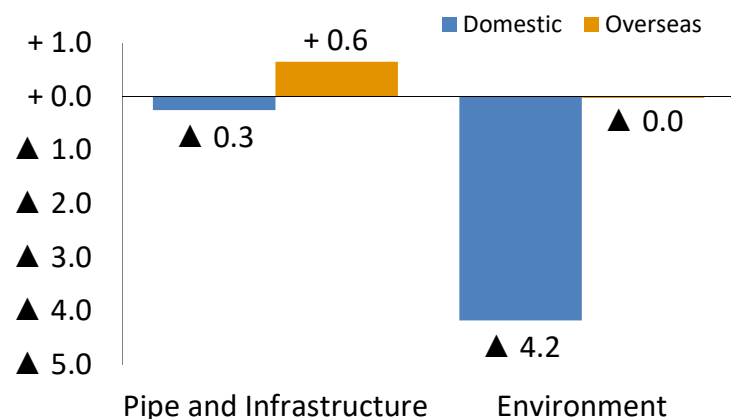
Domestic

- With respect to pipe- and infrastructure-related products, sales of plastic pipes, air-conditioning equipment, and spiral-welded steel pipes decreased, while sales of ductile iron pipes and construction business increased.
- With respect to environment-related products, sales from construction of waste disposal and treatment facility in Futaba town decreased.

Overseas

- With respect to pipe- and infrastructure-related products, sales of industrial castings increased.
- Sales of environment-related products was almost at the same level as the prior year due to increased sales of membrane systems while sales of pumps and wastewater treatment plants (Johkasou) decreased.

Changes in revenue by product (Billions of yen)



Operating Profit

For Earth, For Life


(Unit: billions of yen)	Six months ended June 30, 2020		Six months ended June 30, 2019		Changes	
	Amount	%	Amount	%	Amount	%
Operating profit	81.7	9.2	110.9	11.4	-29.3	-26.4

Factors affecting operating profit (YoY change -29.3 billion yen)

1.Fluctuation in exchange rates	US\$ (110→108 *1) Euro (124→119 *1) Other currencies	-3.5 billion yen -2.0 billion yen -2.5 billion yen	} -8.0 billion yen
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2.Foreign exchange gain/loss			+0.2 billion yen
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3.Material	Machinery Water	+3.0 billion yen +1.5 billion yen	} +4.5 billion yen
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4.Change in sales incentive ratio	North America : +1.8 billion yen etc.		+1.8 billion yen
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5.Impact of increased or decreased sales			-22.5 billion yen
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6.Sales price increase			+4.0 billion yen
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7.Other			-9.3 billion yen
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*1: Exchange rates, which affected profit of exported products from Japan in consideration of the period of transportation and inventory, were as follows: US\$:112→109 Euro:127→120

Operating Profit by Reportable Segment

For Earth, For Life


(Unit: billions of yen)		Six months ended June 30, 2020	Six months ended June 30, 2019	Changes
Machinery	Revenue	719.0	800.8	-81.8
	Operating profit	87.1	116.2	-29.1
	OP margin	12.1%	14.5%	-2.4P
Water	Revenue	150.3	154.1	-3.8
	Operating profit	9.9	10.7	-0.8
	OP margin	6.6%	7.0%	-0.4P
Other	Revenue	14.8	15.9	-1.0
	Operating profit	1.5	1.6	-0.1
	OP margin	10.3%	10.2%	+0.1P
Adjustment	Operating profit	-16.9	-17.7	+0.7
Total	Revenue	884.2	970.8	-86.7
	Operating profit	81.7	110.9	-29.3
	OP margin	9.2%	11.4%	-2.2P

* Beginning with this fiscal year, in conformity with the change in the internal organization, the amounts related to air-conditioning equipment are reported in Water, whereas they were formerly reported in Machinery. Accordingly, the information for the prior fiscal year was retrospectively adjusted to conform to the current year's presentation.

Profit Before Income Taxes/ Profit for the Period

(Unit: billions of yen)	Six months ended June 30, 2020		Six months ended June 30, 2019		Changes	
	Amount	%	Amount	%	Amount	%
Profit before income taxes	84.4	9.5	114.6	11.8	-30.2	-26.4
Profit for the period	65.2	7.4	86.7	8.9	-21.6	-24.9

Profit attributable to:

Owners of the parent	59.6	6.7	81.2	8.4	-21.6	-26.6
Noncontrolling interests	5.6	0.7	5.5	0.5	+0.0	+0.8

		Year ending Dec. 31, 2020	Year ended Dec. 31, 2019	Changes
Dividend per common share	Interim	17 yen	17 yen	±0 yen
	Year-end	(Undecided)	19 yen	-
	Total	(Undecided)	36 yen	-

〈Basic policy for the return of profit〉

Payout ratio: 30% as a target Shareholder return ratio: over 30%

- We established the program of purchasing own shares not exceeding 20.0 billion yen.
(Term of validity: From April 20, 2020 to December 14, 2020)
- We have already purchased about 7.0 billion yen of own shares as of July 31, 2020.

Statement of Financial Position (Assets)

For Earth, For Life
Kubota

(Unit: billions of yen)	As of June 30, 2020	As of Dec. 31, 2019	Changes	Changes ex the effects of fluctuation in exchange
Current assets	1,728.4	1,718.9	+9.5	
Cash and cash equivalents	250.7	199.7	+51.0	
Trade receivables	656.8	682.6	-25.8	-14.0
Finance receivables	308.3	293.9	+14.4	
Inventories	368.7	382.4	-13.7	-7.0
Other	143.9	160.3	-16.3	
Noncurrent assets	1,399.5	1,420.4	-21.0	
Finance receivables	721.6	699.2	+22.3	
Other	677.9	721.2	-43.3	
Total assets	3,127.9	3,139.3	-11.4	
Total finance receivables	1,029.9	993.2	+36.7	+65.0

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

U.S. dollar	108	110	-2
Euro	121	123	-2

Statement of Financial Position (Liabilities)

For Earth, For Life


(Unit: billions of yen)	As of June 30, 2020	As of Dec. 31, 2019	Changes	Changes ex the effects of fluctuation in exchange
Current liabilities	935.6	1,001.7	-66.2	
Bonds and borrowings	364.6	386.5	-22.0	
Trade payables	244.7	293.8	-49.1	
Other	326.3	321.4	+4.9	
Noncurrent liabilities	657.2	600.4	+56.8	
Bonds and borrowings	592.5	516.4	+76.1	
Other	64.6	83.9	-19.3	
Total liabilities	1,592.7	1,602.1	-9.4	
Total interest-bearing liabilities	957.1	903.0	+54.1	+74.0
Net debt equity ratio	0.49	0.49	+0.00	
Net debt equity ratio (ex financial services)	-0.19	-0.14	-0.05	

Statement of Financial Position (Equity)

For Earth, For Life


(Unit: billions of yen)	As of June 30, 2020	As of Dec. 31, 2019	Changes
Equity attributable to owners of the parent	1,441.5	1,442.8	-1.3
Noncontrolling interests	93.7	94.4	-0.7
Total equity	1,535.2	1,537.2	-2.0

Ratio of equity attributable to owners of the parent to total assets	46.1%	46.0%	+0.1P
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Statement of Cash Flows

For Earth, For Life
Kubota

(Unit: billions of yen)	Six months ended June 30, 2020	Six months ended June 30, 2019	Changes
Net cash provided by operating activities	49.5	50.9	-1.4
Increase in finance receivables	-63.5	-34.1	-29.4
Other	113.0	84.9	+28.0
Net cash used in investing activities	-30.4	-64.6	+34.2
Payments for acquisition of property, plant, and equipment and intangible assets	-38.4	-51.7	+13.3
Other	8.0	-12.9	+20.9
Net cash provided by financing activities	36.2	6.5	+29.7
Effect of exchange rate changes on cash and cash equivalents	-4.3	-1.1	-3.2
Net increase (decrease) in cash and cash equivalents	51.0	-8.4	+59.4
Free cash flow	11.1	-0.8	+11.9
Free cash flow (excluding the changes in finance receivables)	74.5	33.2	+41.3

Financial Services <Reference (unaudited)>

For Earth, For Life


Statement of Financial Position

(Unit: billions of yen)	As of June 30, 2020		As of Dec. 31, 2019	
	Financial services	Equipment operations	Financial services	Equipment operations
Total assets	1,216.1	1,951.8	1,181.2	2,048.2
Cash and cash equivalents	20.5	230.1	19.8	179.8
Trade receivables	36.9	621.6	29.3	655.7
Finance receivables	1,029.9	-	993.2	-
Inventories	-	368.7	-	382.4
Property, plant, and equipment	0.4	392.6	0.5	404.9
Other	128.4	338.8	138.4	425.4
Total liabilities	1,026.2	589.0	996.5	678.6
Total interest-bearing liabilities	963.1	-	938.0	-
Other	63.2	589.0	58.4	678.6
Total equity	189.8	1,362.8	184.7	1,369.7

Statement of Profit or Loss (Financial Services)

(Unit: billions of yen)	Six months ended June 30, 2020	Six months ended June 30, 2019	Changes	
	Amount	Amount	Amount	%
Revenue	38.0	36.3	+1.7	+4.6
Operating profit	15.1	13.5	+1.6	+12.2
	39.8%	37.1%		
Profit attributable to owners of the parent	9.1	8.2	+0.9	+11.4
	23.9%	22.5%		

Recent Developments In Machinery

Recent Developments in Machinery (U.S.)

For Earth, For Life
Kubota

U.S.

The number of dealers which suspended operations was limited, and retail sales of tractors and CE were strong. On the other hand, wholesales decreased due to adverse reaction from carryover of shipment from the fiscal 2018 to 1st half of the fiscal 2019 and delay in production and shipment.

Tractors / RS

Sales of compact tractors increased due to favorable weather in major regions and special demand caused by stay-at-home lifestyle along with stay-at-home order. Sales of medium-sized tractors increased mainly due to increased market share resulting from introduction of a new model, which had been strongly demanded by dealers. Sales of large-sized tractors increased due to increased market share although the demand was almost at the same level as the prior year.

CE / RS

Rental companies continued to be cautious about investment due to uncertainty about outlook along with the infection spread of COVID-19. On the other hand, demand by general customers, where we have strengths, increased due to the sufficient volume of construction work. In addition, the negative impact of COVID-19 was relatively minor in suburban regions where our dealers are located. As a result, sales of mini-excavators and CTL increased. Sales of SSL decreased due to the shrunk demand.

Dealer inventories

We had intention to curb dealer inventories amid a lot of uncertain factors. However, dealer inventories decreased to 4.7 months (a decrease of 1.8 months from the prior fiscal year-end and a decrease of 1.3 months from the end of June in the prior year) because retail sales in the high demand season during spring were significantly higher than our anticipation and production and shipment delayed due to temporarily suspended operation in manufacturing bases.

Engines / WS

Sales decreased mainly due to suspended operations by OEM clients caused by the infection spread of COVID-19.

Supplementary data of U.S.

■ YoY growth rate of retail sales units in the tractor market by horsepower ■ New privately owned housing units started

		Jan.-Mar.	Apr.-Jun.	Jul.-Sept.	Oct.-Dec.	Jan.-Jun.	Jan.-Dec.
2019	0-40hp	+9.7%	+4.9%	+6.4%	-0.1%	+6.4%	+5.0%
	40-120hp	-0.8%	-0.2%	+7.2%	-4.1%	-0.4%	+0.5%
	120-160hp	-5.7%	+2.3%	+16.6%	-0.4%	-1.0%	+3.3%
2020	0-40hp	-8.9%	+24.0%	-	-	+13.3%	-
	40-120hp	-5.1%	+13.9%	-	-	+6.5%	-
	120-160hp	-14.1%	+9.2%	-	-	-0.1%	-

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.-Dec.
2019		+2.7%	+7.4%	+11.0%	+25.0%	+5.6%	+11.7%
2020		+4.5%	-4.4%	-	-	-1.0%	-

Source: AEM (Association of Equipment Manufacturers)

■ YoY growth rate of retail sales units in the compact track loaders market

		Jan.-Mar.	Apr.-Jun.	Jul.-Sept.	Oct.-Dec.	Jan.-Jun.	Jan.-Dec.
2019		+4.6%	+6.4%	+9.9%	+9.2%	+5.7%	+7.7%
2020		+2.2%	-0.1%	-	-	+0.8%	-

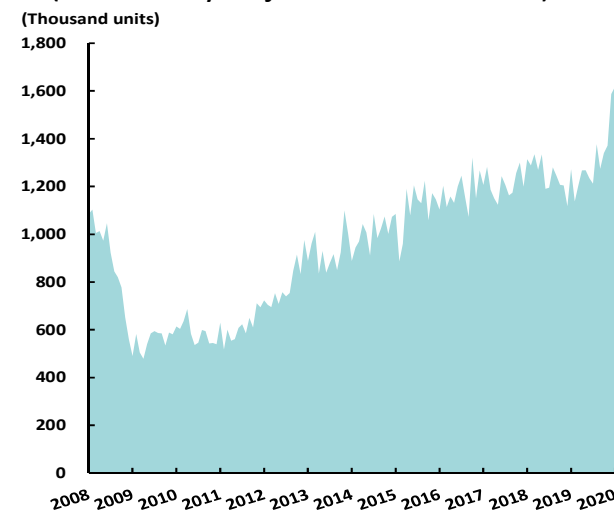
Source: AEM (Association of Equipment Manufacturers)

■ YoY growth rate of retail sales units in the skid steer loaders market

		Jan.-Mar.	Apr.-Jun.	Jul.-Sept.	Oct.-Dec.	Jan.-Jun.	Jan.-Dec.
2019		-8.9%	-9.1%	-14.0%	-1.2%	-9.0%	-7.4%
2020		-10.9%	-23.6%	-	-	-18.0%	-

Source: AEM (Association of Equipment Manufacturers)

(Seasonally adjusted annual rate)



Source: U.S. Census Bureau

Recent Developments in Machinery (Europe)

For Earth, For Life
Kubota

Europe

Currently, demand for tractors and CE shows a recovery trend along with the resumption of economic activities. However, retail sales and wholesales significantly decreased because many dealers suspended sales activities caused by lockdown.

Tractors / RS

Sales of compact tractors significantly decreased because we could not enjoy the high demand season during spring mainly due to suspended operations by dealers resulting from lockdown. Sales of large-sized tractors decreased because uncertainty about outlook for agricultural market was heightened due to stagnation in restaurant industry caused by the infection spread of COVID-19.

Implements / WS

As with the situation of large-sized tractors, sales decreased due to uncertainty about outlook for agricultural market.

CE / RS

Demand showed a gradual recovery trend along with the resumption of economic activities. However, sales decreased due to postponed construction work along with stay-at-home orders and diminished motivation for investment by contractors resulting from uncertainty about outlook for the economy.

Engines / WS

Sales significantly decreased due to suspended manufacturing activities and reduced production by OEM clients caused by the infection spread of COVID-19.

Recent Developments in Machinery (Asia)

Thailand and neighboring countries

Retail sales of tractors decreased due to water shortage during the 1st half of this year, while the situation has gradually improved since the rainy season. Wholesales significantly decreased due to adjustment of dealer inventories which had increased resulting from stagnated retail sales in the end of the prior year.

Tractors / RS

Sales of tractors used in rice cropping-market increased due to stable prices of jasmine rice and glutinous rice at a high level. Sales of tractors used in dry-field cropping-market decreased mainly due to reduced crop yields caused by water shortage and declined prices of sugar cane. As a result, sales of tractors as a whole decreased. Dealer inventories in Thailand decreased by 1.1 months from the prior fiscal year-end by controlling wholesales and adjusting dealer inventories.

Combines / RS

Sales significantly increased due to stable prices of rice at a high level.

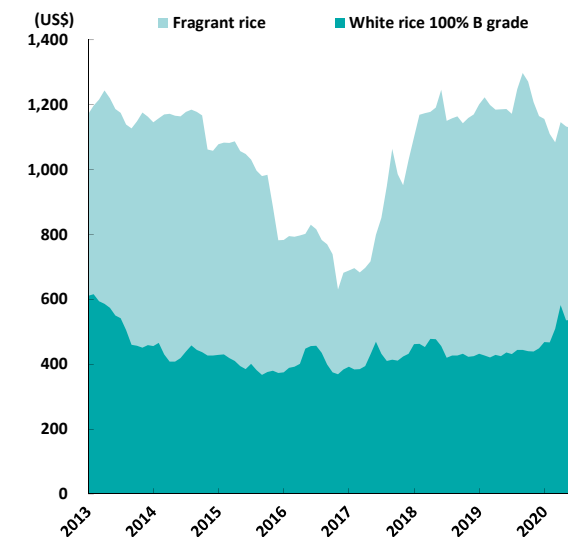
CE / RS

Sales decreased due to postponed construction work caused by the infection spread of COVID-19.

Neighboring countries / RS

Sales in Cambodia increased due to expanded demand for dry-field cropping-market, such as cassava. Sales in Myanmar increased due to easing of depreciation of the local currency against the U.S. dollar, which had been the reason of stagnated sales, and declined interest rates.

■ Export price of Thai rice (US\$/t)



Source: USDA, Thai Rice Exporters Association

Recent Developments in Machinery (Asia)

China

Budgeted government subsidies for purchasers of farm equipment have not been determined, but are expected to decrease slightly or be at the same level compared with the prior year. Demand for farm equipment has recovered gradually from the slump caused by the infection spread of COVID-19 since the second quarter of this year. Competition in CE market is intensifying, while demand for CE and engines has also recovered sharply.

Tractors / RS

Sales decreased mainly due to delay in supply caused by suspended operation, although 70-99 hp market, where we have entered, is expanding due to development of a shift in demand to higher-horsepower equipment.

Combines / RS

Although demand for general-purpose combine harvesters decreased, sales were almost at the same level as the prior year due to a positive impact from introduction of new models, which have higher horsepower and higher processing capacity.

Rice transplanters / RS

Sales of riding rice transplanters increased due to additional subsidies for purchasers of them, while there was a negative effect from delay in supply caused by suspended operation.

CE / RS

Sales decreased due to offensive pricing by local and foreign manufactures mainly in market of 5t or more excavators although demand is expanding due to economic stimulus measures by the government and the resumption of economic activities.

Engines / WS

Sales for construction and industrial machinery were strong due to economic stimulus measures.

■ Budgeted government subsidies for purchasers of farm equipment

(Unit: billions of RMB)		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Subsidies	1st stage	-	11.0	13.0	20.0	17.0	21.0	22.8	18.6	18.6	18.0	Undecided
	Full year	15.5	17.5	21.5	21.8	23.8	23.8	23.7	18.6	18.6	18.0	Undecided

Recent Developments in Machinery (Japan)

Japan

Sales of farm equipment decreased mainly due to adverse reaction from rushed demand before the consumption tax hike in the prior year and voluntary restraint of sales activities resulting from the infection spread of COVID-19. Sales of CE and engines decreased due to declined demand for construction and industrial machinery.

Farm equipment / RS

Sales of tractors, combine harvesters, and rice transplanters decreased because demand decreased mainly due to voluntary restraint of sales activities, such as participation in large trade shows, and declined demand for agricultural products to restaurant industry resulting from the infection spread of COVID-19, in addition to adverse reaction from rushed demand before the consumption tax hike in the prior year.

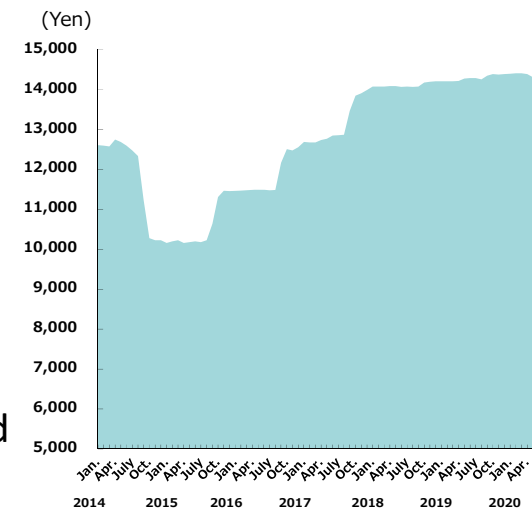
CE / RS

Sales decreased mainly due to postponed construction work caused by the infection spread of COVID-19, in addition to adverse reaction from rushed demand before the consumption tax hike and a deadline of the application for tax incentives.

Engines / WS

Sales decreased mainly because OEM clients decreased their production volume along with the infection spread of COVID-19 and demand for construction and industrial machinery, which are end products equipped with engines, decreased as well.

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



Source: Ministry of Agriculture, Forestry and Fisheries

Forecast

Anticipated Operating Results

For Earth, For Life


(Unit: billions of yen)	Year ending Dec. 31, 2020 (Forecast)	Year ended Dec. 31, 2019 (Actual)	Changes	
			Amount	%
Revenue	1,780.0	1,920.0	-140.0	-7.3
Domestic	585.5	625.4	-39.9	-6.4
Overseas	1,194.5	1,294.6	-100.1	-7.7
Operating profit	8.4% 150.0	10.5% 201.7	-51.7	-25.6
Profit before income taxes	8.7% 155.0	10.9% 209.0	-54.0	-25.8
Profit attributable to owners of the parent	6.2% 110.0	7.8% 149.1	-39.1	-26.2

Anticipated Revenue by Reportable Segment

For Earth, For Life


(Unit: billions of yen)	Year ending Dec. 31, 2020 (Forecast)	Year ended Dec. 31, 2019 (Actual)	Changes	
			Amount	%
Machinery	1,430.0	1,558.3	-128.3	-8.2
Domestic	280.0	306.3	-26.3	-8.6
Overseas	1,150.0	1,252.0	-102.0	-8.1
Water	320.0	330.1	-10.1	-3.0
Domestic	276.0	287.8	-11.8	-4.1
Overseas	44.0	42.3	+1.7	+4.1
Other	30.0	31.6	-1.6	-5.2
Domestic	29.5	31.2	-1.7	-5.6
Overseas	0.5	0.4	+0.1	+23.5
Total revenue	1,780.0	1,920.0	-140.0	-7.3

Domestic revenue	585.5	625.4	-39.9	-6.4
Overseas revenue	1,194.5	1,294.6	-100.1	-7.7

- Changes excluding the effects of fluctuation in exchange [-28.0 billion yen]
 - >Overseas revenue in Machinery is forecast to decrease by 6%. Total overseas revenue is forecast to decrease by 6%.
- The negative impact of COVID-19 on revenue is expected to be a decrease of around 148.0 billion yen in Machinery and around 10.0 billion yen in Water, including a negative effect from delay in production and shipment mainly due to suspended operations in our manufacturing bases.
- * Beginning with this fiscal year, in conformity with the change in the internal organization, the amounts related to air-conditioning equipment are reported in Water, whereas they were formerly reported in Machinery. Accordingly, the information for the prior fiscal year was retrospectively adjusted to conform to the current year's presentation.

Anticipated Operating Profit

(Unit: billions of yen)	Year ending Dec. 31, 2020 (Forecast)		Year ended Dec. 31, 2019 (Actual)		Changes	
	Amount	%	Amount	%	Amount	%
Operating profit	150.0	8.4	201.7	10.5	-51.7	-25.6

Factors affecting operating profit (YoY change -51.7 billion yen)

1. Fluctuation in exchange rates	US\$ (109→107 *1) Euro (122→120 *1) Other currencies	-5.5 billion yen -2.5 billion yen -4.0 billion yen	-12.0 billion yen
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2. Foreign exchange gain/loss			-1.6 billion yen
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3. Material	Machinery Water	+3.0 billion yen +3.0 billion yen	+6.0 billion yen
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4. Change in sales incentive ratio	North America : +5.6 billion yen etc.		+3.6 billion yen
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5. Impact of increased or decreased sales			-37.0 billion yen
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6. Sales price increase			+6.0 billion yen
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7. Other			-16.7 billion yen
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*1: Exchange rates, which affected profit of exported products from Japan in consideration of the period of transportation and inventory, were as follows: US\$:110→108 Euro:124→120

Anticipated Operating Profit by Reportable Segment

For Earth, For Life
Kubota

(Unit: billions of yen)		Year ending Dec. 31, 2020 (Forecast)	Year ended Dec. 31, 2019 (Actual)	Changes
Machinery	Revenue	1,430.0	1,558.3	-128.3
	Operating profit	154.0	203.1	-49.1
	OP margin	10.8%	13.0%	-2.3P
Water	Revenue	320.0	330.1	-10.1
	Operating profit	27.0	28.1	-1.1
	OP margin	8.4%	8.5%	-0.1P
Other	Revenue	30.0	31.6	-1.6
	Operating profit	3.0	3.6	-0.6
	OP margin	10.0%	11.4%	-1.4P
Adjustment	Operating profit	-34.0	-33.2	-0.8
Total	Revenue	1,780.0	1,920.0	-140.0
	Operating profit	150.0	201.7	-51.7
	OP margin	8.4%	10.5%	-2.1P

* Beginning with this fiscal year, in conformity with the change in the internal organization, the amounts related to air-conditioning equipment are reported in Water, whereas they were formerly reported in Machinery. Accordingly, the information for the prior fiscal year was retrospectively adjusted to conform to the current year's presentation.

CAPEX, Depreciation and R&D Expenses

■ CAPEX, Depreciation and R&D expenses

(Unit: billions of yen)	Year ending Dec. 31, 2020		Year ended Dec. 31, 2019
	(Forecast)	(Original forecast)	(Actual)
Capital expenditures *	85.0	115.0	86.7
Depreciation and amortization *	54.0	56.0	48.9
R&D expenses	59.0	59.0	53.1

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

Cautionary Statements with Respect to Forward-Looking Statements

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



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