

# Financial Results

## for the nine months ended September 30, 2020



November 5, 2020

# Financial Summary

For Earth, For Life  


(Unit: billions of yen)	Nine months ended Sept. 30, 2020	Nine months ended Sept. 30, 2019	Changes	
			Amount	%
<b>Revenue</b>	1,356.8	1,460.8	-104.0	-7.1
Domestic	435.7	480.7	-45.0	-9.4
Overseas	921.1	980.0	-58.9	-6.0
<b>Operating profit</b>	9.6% 129.9	11.4% 166.2	-36.3	-21.8
<b>Profit before income taxes</b>	10.2% 138.7	11.7% 171.3	-32.5	-19.0
<b>Profit attributable to owners of the parent</b>	7.1% 96.5	8.4% 122.4	-26.0	-21.2

(Unit: billions of yen)	As of Sept. 30, 2020	As of Dec. 31, 2019	Changes	
			Amount	%
<b>Total assets</b>	3,112.3	3,139.3	-27.1	-0.9
<b>Equity attributable to owners of the parent</b>	1,434.8	1,442.8	-8.0	-0.6

( For reference: Changes excluding the effects of fluctuation in exchange [-15.0 billion yen]  
 >Overseas revenue in Machinery decreased by 5%. Total overseas revenue decreased by 4%. )

## Machinery: -89.8 billion yen (Domestic: -30.7, Overseas: -59.1)

### Japan

- Sales of farm equipment decreased due to adverse reaction from rushed demand before the consumption tax hike in the prior year as well as a negative effect from voluntary restraint of sales activities resulting from the infection spread of COVID-19.
- Sales of construction machinery (CE) decreased mainly due to postponed or delayed construction works and postponed sales activities caused by the infection spread of COVID-19, in addition to adverse reaction from rushed demand before the consumption tax hike in the prior year.

### North America

- Wholesales of tractors decreased due to delayed production and shipping caused by the infection spread of COVID-19, while retail sales continued to be strong due to favorable weather, special demand caused by stay-at-home lifestyle, and introduced new models.
- Wholesales of CE decreased due to adverse reaction from carryover of shipment of some products from the fiscal 2018 to the fiscal 2019 caused by a typhoon and delayed production and shipping, while retail sales were strong.
- Sales of engines decreased due to a reduction in production by OEM clients caused by the infection spread of COVID-19 and a deterioration in oil and gas market.

### Europe

- Sales of tractors have been on a recovery track mainly due to adverse reaction from sluggish demand caused by the infection spread of COVID-19. However, cumulative total sales of tractors decreased mainly due to stagnant sales during the 1st half of this year. There is a concern about the negative effect from the revived infection spread of COVID-19.
- Sales of CE decreased because a pace of recovery in the market remained slow.
- Sales of engines decreased mainly due to a reduction in production by OEM clients along with the infection spread of COVID-19.

### Machinery: -89.8 billion yen (Domestic: -30.7, Overseas: -59.1)

- Asia
- In Thailand, retail sales of tractors shifted to an upward trend due to favorable weather in the rainy season. However, wholesales decreased because the positive effect from favorable weather couldn't compensate for the negative effect from the slump caused by water shortage and inventory adjustment by dealers in the 1st half of this year.
  - In China, demand for farm equipment recovered quickly from the slump caused by the infection spread of COVID-19. Sales of farm equipment increased due to increased market share thanks to introduction of new models of general-purpose combine harvesters and government subsidy for riding rice transplanters in order to promote mechanization.
  - Sales of CE in China have been on an upward trend year-on-year since the 2nd quarter of this year due to rapidly recovered market along with the resumption of public works projects led by the government. However, cumulative total sales decreased because the positive effect couldn't compensate for the slump in the 1st quarter of this year.
  - Sales of engines in China increased significantly due to rapidly recovered market of construction and industrial machinery.

### Water: -11.8 billion yen (Domestic: -12.0, Overseas: +0.2)

- Japan
- Revenue in pipe- and infrastructure-related products decreased due to decreased sales of plastic pipes, spiral-welded steel pipes, and air-conditioning equipment because of the negative effect from the infection spread of COVID-19, while sales of ductile iron pipes and construction business increased.
  - Revenue in environment-related products also decreased due to decreased revenue from construction of waste disposal and treatment facility in Futaba Town.

# Operating Profit

(Unit: billions of yen)	Nine months ended Sept. 30, 2020		Nine months ended Sept. 30, 2019		Changes	
	Amount	%	Amount	%	Amount	%
Operating profit	129.9	9.6	166.2	11.4	-36.3	-21.8

## Factors affecting operating profit (YoY change -36.3 billion yen)

<b>1. Fluctuation in exchange rates</b>	US\$ (109→108 *1) Euro (123→121 *1) Other currencies	-4.0 billion yen -2.5 billion yen -3.0 billion yen	}	<b>-9.5 billion yen</b>
<b>2. Foreign exchange gain/loss</b>				
<b>3. Material</b>	Machinery Water	+3.0 billion yen +2.5 billion yen	}	<b>+5.5 billion yen</b>
<b>4. Change in sales incentive ratio</b>	North America : +3.5 billion yen, etc.			
<b>5. Impact of increased or decreased sales</b>				<b>-28.5 billion yen</b>
<b>6. Sales price increase</b>				<b>+5.0 billion yen</b>
<b>7. Other</b>				<b>-12.8 billion yen</b>

\*1: Exchange rates, which affected profit of exported products from Japan in consideration of the period of transportation and inventory, were as follows: US\$:111→108 Euro:126→120

# Anticipated Operating Results

For Earth, For Life  


(Unit: billions of yen)	Year ending Dec. 31, 2020 (Forecast)	Year ended Dec. 31, 2019 (Actual)	Changes		Previous forecast (Aug. 2020)
			Amount	%	
<b>Revenue</b>	1,830.0	1,920.0	-90.0	-4.7	1,780.0
<b>Domestic</b>	590.5	625.4	-34.9	-5.6	585.5
<b>Overseas</b>	1,239.5	1,294.7	-55.2	-4.3	1,194.5
<b>Operating profit</b>	9.3% 170.0	10.5% 201.7	-31.7	-15.7	8.4% 150.0
<b>Profit before income taxes</b>	9.8% 180.0	10.9% 209.0	-29.0	-13.9	8.7% 155.0
<b>Profit attributable to owners of the parent</b>	6.8% 125.0	7.8% 149.1	-24.1	-16.1	6.2% 110.0

For reference: Changes excluding the effects of fluctuation in exchange [-30.0 billion yen]  
 >Overseas revenue in Machinery is forecast to decrease by 2%. Total overseas revenue is forecast to decrease by 2%.

# 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	%
<b>Operating profit</b>	170.0	9.3	201.7	10.5	-31.7	-15.7

## Factors affecting operating profit (YoY change -31.7 billion yen)

<b>1. Fluctuation in exchange rates</b>	US\$ (109→107 *1) Euro (122→120 *1) Other currencies	-5.5 billion yen -1.5 billion yen -4.5 billion yen	<b>-11.5 billion yen</b>
<b>2. Foreign exchange gain/loss</b>			<b>-0.6 billion yen</b>
<b>3. Material</b>	Machinery Water	+3.0 billion yen +3.0 billion yen	<b>+6.0 billion yen</b>
<b>4. Change in sales incentive ratio</b>	North America : +5.6 billion yen, etc.		<b>+4.0 billion yen</b>
<b>5. Impact of increased or decreased sales</b>			<b>-21.0 billion yen</b>
<b>6. Sales price increase</b>			<b>+6.0 billion yen</b>
<b>7. Other</b>			<b>-14.6 billion yen</b>

\*1: Exchange rates, which affect profit of exported products from Japan in consideration of the period of transportation and inventory, are forecasted as follows: US\$:110→108 Euro:124→121

# 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
<b>Machinery</b>	Revenue	1,480.0	1,558.3	-78.3
	Operating profit	174.0	203.1	-29.1
	OP margin	11.8%	13.0%	-1.3P
<b>Water</b>	Revenue	320.0	330.1	-10.1
	Operating profit	25.0	28.1	-3.1
	OP margin	7.8%	8.5%	-0.7P
<b>Other</b>	Revenue	30.0	31.6	-1.6
	Operating profit	3.0	3.6	-0.6
	OP margin	10.0%	11.4%	-1.4P
<b>Adjustment</b>	Operating profit	-32.0	-33.2	+1.2
<b>Total</b>	Revenue	1,830.0	1,920.0	-90.0
	Operating profit	170.0	201.7	-31.7
	OP margin	9.3%	10.5%	-1.2P

# Accompanying Materials

# Exchange Rate

## ■ Exchange rate

			Year ending Dec. 31, 2020		Year ended Dec. 31, 2019
			(Forecast)	(Actual)	(Actual)
¥/US\$		1st quarter (Jan.-Mar.)	-	109	110
		2nd quarter (Apr.-Jun.)	-	108	110
		3rd quarter (Jul.-Sept.)	-	106	107
		Sept. YTD (Jan.-Sept.)	-	108	109
		Full year average (Jan.-Dec.)	107	-	109
¥/Euro		1st quarter (Jan.-Mar.)	-	120	125
		2nd quarter (Apr.-Jun.)	-	118	123
		3rd quarter (Jul.-Sept.)	-	124	119
		Sept. YTD (Jan.-Sept.)	-	121	123
		Full year average (Jan.-Dec.)	120	-	122

¥/US\$	1st quarter end (Mar.)	-	109	111
	2nd quarter end (Jun.)	-	108	108
	3rd quarter end (Sept.)	-	106	108
	4th quarter end (Dec.)	-	-	110
¥/Euro	1st quarter end (Mar.)	-	120	125
	2nd quarter end (Jun.)	-	121	122
	3rd quarter end (Sept.)	-	124	118
	4th quarter end (Dec.)	-	-	123

# Exchange Rate

## ■ Exchange rate

			Year ending Dec. 31, 2020		Year ended Dec. 31, 2019
			(Forecast)	(Actual)	(Actual)
¥/THB		1st quarter (Jan.-Mar.)	-	3.49	3.49
		2nd quarter (Apr.-Jun.)	-	3.37	3.48
		3rd quarter (Jul.-Sept.)	-	3.39	3.50
		Sept. YTD (Jan.-Sept.)	-	3.42	3.49
		Full year average (Jan.-Dec.)	3.40	-	3.52
		Full year average (Jan.-Dec.)	3.40	-	3.52
¥/RMB		1st quarter (Jan.-Mar.)	-	15.60	16.33
		2nd quarter (Apr.-Jun.)	-	15.17	16.07
		3rd quarter (Jul.-Sept.)	-	15.35	15.29
		Sept. YTD (Jan.-Sept.)	-	15.37	15.90
		Full year average (Jan.-Dec.)	15.30	-	15.78
		Full year average (Jan.-Dec.)	15.30	-	15.78

¥/THB	1st quarter end (Mar.)	-	3.34	3.49
	2nd quarter end (Jun.)	-	3.49	3.50
	3rd quarter end (Sept.)	-	3.34	3.53
	4th quarter end (Dec.)	-	-	3.63
¥/RMB	1st quarter end (Mar.)	-	15.31	16.47
	2nd quarter end (Jun.)	-	15.23	15.69
	3rd quarter end (Sept.)	-	15.54	15.13
	4th quarter end (Dec.)	-	-	15.67

## Reference Data (Revenue in Machinery by product and region)

### ■ Revenue in Machinery by product and region for the nine months ended September 30, 2020

(Unit: billions of yen)	Tractors		Combine harvesters and rice transplanters		Engines		CE		Finance income		Others*		Machinery total**	
	FY2020 3Q	FY2019 3Q	FY2020 3Q	FY2019 3Q	FY2020 3Q	FY2019 3Q	FY2020 3Q	FY2019 3Q	FY2020 3Q	FY2019 3Q	FY2020 3Q	FY2019 3Q	FY2020 3Q	FY2019 3Q
Japan	40	52	34	41	13	15	25	28	2	2	108	114	222	252
North America	213	231	0	0	33	50	106	126	39	37	71	67	462	511
Europe	35	41	0	0	22	32	55	65	0	0	46	48	158	185
Asia	82	86	66	54	24	19	15	18	16	15	32	31	235	223
Others	17	15	1	0	2	2	7	7	1	1	7	7	36	32
<b>Total**</b>	<b>388</b>	<b>424</b>	<b>100</b>	<b>95</b>	<b>95</b>	<b>118</b>	<b>208</b>	<b>243</b>	<b>58</b>	<b>55</b>	<b>264</b>	<b>267</b>	<b>1,113</b>	<b>1,203</b>

\* Beginning with the year ending December 31, 2020, in conformity with the change in the internal organization, the amounts related to *air - conditioning equipment* are reported in the Water & Environment segment, whereas they were formerly reported in "Others" of the Farm & Industrial Machinery segment. Accordingly, the information for the prior fiscal year was retrospectively adjusted to conform to the current year's presentation.

\*\* "Total" of each product and each region may not match the total of revenue by product and region because revenue by product and region is rounded to the nearest billion yen.

# Supplementary data of U.S.

## ■ 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.
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%
2020	0-40hp	-8.9%	+24.0%	+28.2%	-	+13.3%	+18.0%	-
	40-120hp	-5.1%	+13.9%	+17.1%	-	+6.5%	+10.3%	-
	120-160hp	-14.1%	+9.2%	-10.4%	-	-0.1%	-3.9%	-

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.
2019	+2.7%	+7.4%	+11.0%	+25.0%	+5.6%	+7.4%	+11.7%
2020	+4.5%	-4.4%	+20.2%	-	-1.0%	+6.1%	-

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.-Sept.	Jan.-Dec.
2019	+4.6%	+6.4%	+9.9%	+9.2%	+5.7%	+7.1%	+7.7%
2020	+2.2%	-0.1%	+25.0%	-	+0.8%	+9.0%	-

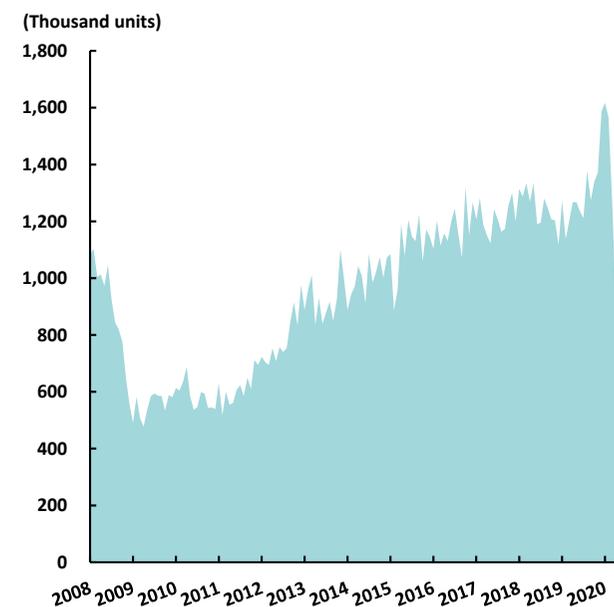
Source: AEM (Association of Equipment Manufacturers)

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

	Jan.-Mar.	Apr.-Jun.	Jul.-Sept.	Oct.-Dec.	Jan.-Jun.	Jan.-Sept.	Jan.-Dec.
2019	-8.9%	-9.1%	-14.0%	-1.2%	-9.0%	-10.6%	-7.4%
2020	-10.9%	-23.6%	+6.4%	-	-18.0%	-10.4%	-

Source: AEM (Association of Equipment Manufacturers)

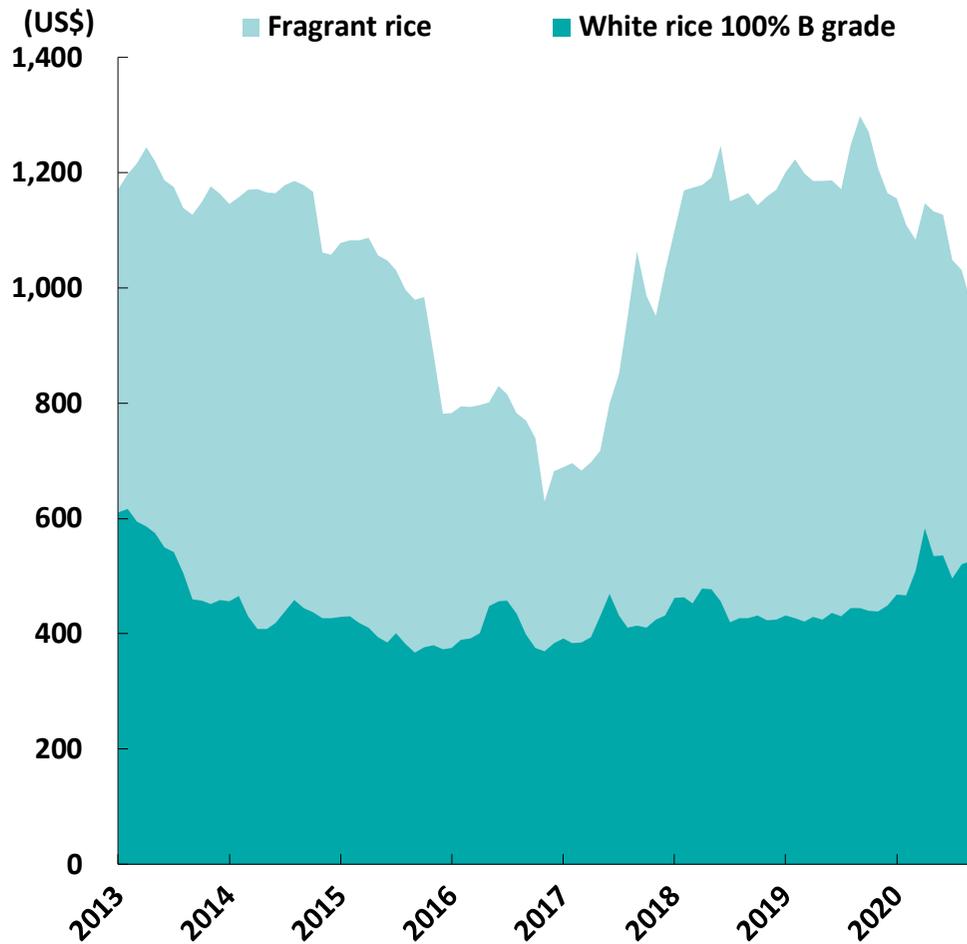
## ■ New privately owned housing units started (Seasonally adjusted annual rate)



Source: U.S. Census Bureau

# Reference Data (Thailand)

## ■ Export price of Thai rice (US\$/t)



Source: USDA, Thai Rice Exporters Association

## 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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