



**ON YOUR SIDE**

**Financial Results**  
**for the year ended December 31, 2020**

**Masato Yoshikawa**

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

February 22, 2021



## Financial Summary

For Earth, For Life  
Kubota

(Unit: billions of yen)	Year ended Dec. 31, 2020	Year ended Dec. 31, 2019	Changes		Variance from revised forecast (Nov. 2020)	
			Amount	%	Amount	%
<b>Revenue</b>	<b>1,853.2</b>	<b>1,920.0</b>	<b>-66.8</b>	<b>-3.5</b>	<b>+23.2</b>	<b>+1.3</b>
Domestic	595.2	625.4	-30.2	-4.8	+4.7	+0.8
Overseas	1,258.0	1,294.7	-36.6	-2.8	+18.5	+1.5
<b>Operating profit</b>	<b>175.3</b>	<b>201.7</b>	<b>-26.4</b>	<b>-13.1</b>	<b>+5.3</b>	<b>+3.1</b>
9.5%		10.5%				
<b>Profit before income taxes</b>	<b>185.9</b>	<b>209.0</b>	<b>-23.1</b>	<b>-11.1</b>	<b>+5.9</b>	<b>+3.3</b>
10.0%		10.9%				
<b>Profit attributable to owners of the parent</b>	<b>128.5</b>	<b>149.1</b>	<b>-20.5</b>	<b>-13.8</b>	<b>+3.5</b>	<b>+2.8</b>
6.9%		7.8%				

	Year ended Dec. 31, 2020	Year ended Dec. 31, 2019	Changes
<b>ROE</b>	<b>8.8%</b>	<b>10.7%</b>	<b>-1.9 p</b>

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2

- Compared to the latest forecast, revenue, operating profit, and profit attributable to owners of the parent were all slightly higher.

## Revenue by Reportable Segment

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(Unit: billions of yen)	Year ended Dec. 31, 2020	Year ended Dec. 31, 2019	Changes	
			Amount	%
<b>Farm &amp; Industrial Machinery (Machinery)</b>	<b>1,508.8</b>	<b>1,558.3</b>	<b>-49.6</b>	<b>-3.2</b>
Domestic	292.9	306.3	-13.4	-4.4
Overseas	1,215.9	1,252.0	-36.1	-2.9
<b>Water &amp; Environment (Water)</b>	<b>315.8</b>	<b>330.1</b>	<b>-14.3</b>	<b>-4.3</b>
Domestic	274.0	287.8	-13.9	-4.8
Overseas	41.8	42.3	-0.4	-1.0
<b>Other</b>	<b>28.7</b>	<b>31.6</b>	<b>-3.0</b>	<b>-9.3</b>
Domestic	28.3	31.2	-2.9	-9.3
Overseas	0.4	0.4	-0.1	-13.3
<b>Total revenue</b>	<b>1,853.2</b>	<b>1,920.0</b>	<b>-66.8</b>	<b>-3.5</b>

<b>Domestic revenue</b>	<b>595.2</b>	<b>625.4</b>	<b>-30.2</b>	<b>-4.8</b>
<b>Overseas revenue</b>	<b>1,258.0</b>	<b>1,294.7</b>	<b>-36.6</b>	<b>-2.8</b>

For reference: Changes excluding the effects of fluctuation in exchange [-23.0 billion yen]  
>Overseas revenue in Machinery decreased by 1%. Total overseas revenue decreased by 1%.

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

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**Machinery: -49.6 billion yen (Domestic: -13.4, Overseas: -36.1)**

\* The negative impact of COVID-19 on revenue is recognized as a decrease of around 93.0 billion yen, including a negative effect from delay in production and shipment mainly due to suspended operations in our manufacturing bases.

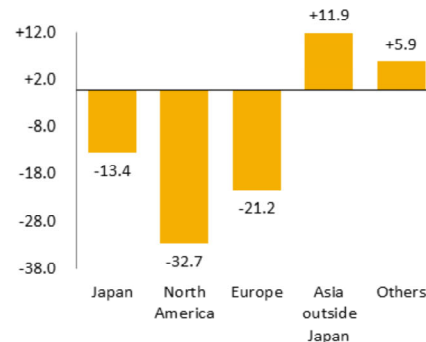
**Japan**

- Sales of farm equipment and construction machinery (CE) decreased due to adverse reaction from rushed demand before the consumption tax hike, in addition to voluntary restraint of sales activities and a slump of demand along with the infection spread of COVID-19.

**North America**

- Wholesales of tractors and CE decreased due to delay in production and shipment caused by the negative impact of COVID-19, while retail sales of them were strong.
- In addition, there was a negative impact of adverse reaction from carryover of shipment of CE from the 2nd half of the fiscal 2018 to the 1st half of the fiscal 2019 caused by a typhoon.
- As a result, dealer inventories in the U.S. remained at 3.3 months, which were extremely low.

■ Changes in revenue by region  
(Billions of yen)



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4

Domestic revenue in Farm & Industrial Machinery decreased by 13.4 billion yen (-4%).

- Sales of farm equipment and construction machinery (CE) decreased due to a reactionary decline from rushed demand before the consumption tax hike, as well as voluntary restraint of sales activities and a slump of demand due to the infection spread of COVID-19.

Overseas business in Farm & Industrial Machinery

- Revenue in North America decreased by 32.7 billion yen (-5%).
  - ✓ Retail sales of compact tractors in particular grew significantly due to increased demand associated with staying at home and suburban migration.
  - ✓ Retail sales of CE also increased significantly due to increased demand for housing in the suburbs.
  - ✓ On the other hand, due to delay in production and shipment caused by the effects of COVID-19, wholesales, which are the Company's revenue, decreased for both tractors and CE.
  - ✓ With regard to CE, shipments in the 2nd half of FY2018 were delayed to the 1st half of FY2019 due to a typhoon, which also affected the YoY decline in wholesales.
  - ✓ As a result, the dealer inventory level in the U.S. as of the end of December 2020 remained at an extremely low level of 3.3 months, and we plan to proceed with replenishing dealer inventory during 2021.
  - ✓ Sales of engines also decreased significantly due to inventory adjustments by OEM clients.

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

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**Machinery: -49.6 billion yen (Domestic: -13.4, Overseas: -36.1)**

\* The negative impact of COVID-19 on revenue is recognized as a decrease of around 93.0 billion yen, including a negative effect from delay in production and shipment mainly due to suspended operations in our manufacturing bases.

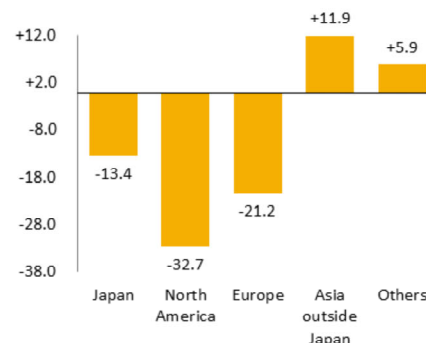
### Europe

• Sales of farm equipment and CE decreased mainly due to suspended business by dealers along with the infection spread of COVID-19.

### Asia outside Japan

• In Thailand, wholesales of tractors decreased due to a negative effect from dealer inventory adjustments, while retail sales of tractors recovered.  
• In Myanmar, sales significantly increased mainly due to appreciation of the local currency.  
• Sales of farm equipment in China increased due to quick recovery from a slump of demand caused by the infection spread of COVID-19, in addition to a positive effect from introduction of new models of general-purpose combine harvesters. Sales of engines significantly increased, since construction & industrial machinery market recovered rapidly.  
• Sales of farm equipment in India increased significantly due to favorable rainfall in the rainy season and government support for farmers.

■ Changes in revenue by region  
(Billions of yen)



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5

- Revenue in Europe decreased by 21.2 billion yen (-9%).
  - ✓ Sales of tractors and CE decreased because of the temporary suspension of business by dealers in the 1st half of the year due to the infection spread of COVID-19 and sluggish demand caused by uncertainty about the future.
  - ✓ Sales of engines decreased significantly due to reduced production by OEM clients.
- Revenue in Asia outside Japan increased by 11.9 billion yen (+4%).
  - ✓ In Thailand, demand recovered in the 2nd half of the year due to favorable rainfall during the rainy season, resulting in a slight increase in retail sales of tractors. However, revenue by wholesales decreased due to adjustments in dealer inventory.
  - ✓ Myanmar, on the other hand, increased significantly due to the gradual easing of the depreciation of the local currency against the US dollar.
  - ✓ In China, due in part to additional government subsidies, the market has recovered rapidly from the slump caused by the infection spread of COVID-19. We increased our market share and revenue by launching new general-purpose combine harvesters with higher horsepower and processing capacity. Sales of engines increased significantly due to the rapid expansion of the construction and industrial machinery market as a result of the government's economic stimulus measures.
  - ✓ In India, revenue increased significantly due to favorable rainfall and government support measures for farmers, contributing to the increase in revenue in Asia.

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

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**Water: -14.3 billion yen** (Domestic: -13.9, Overseas: -0.4)

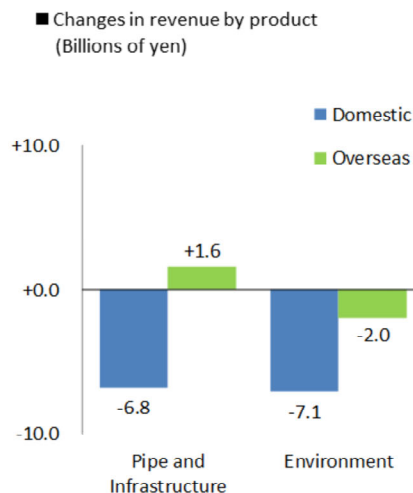
\* The negative impact of COVID-19 on revenue is recognized as a decrease of around 12.0 billion yen.

### Domestic

- In pipe- and infrastructure-related business, sales of plastic pipes, industrial castings, spiral-welded-steel pipes, and air-conditioning equipment mainly decreased due to the negative impact of the infection spread of COVID-19, while sales of ductile iron pipes and construction business increased.
- Sales of environment-related business decreased due to the completion of construction of waste disposal and treatment facility in Futaba Town, Fukushima Prefecture, which was a large-scale project.

### Overseas

- In pipe- and infrastructure-related business, sales of ductile iron pipes and industrial castings increased.
- In environment-related business, sales of overseas EPC business decreased due to delay in ODA projects caused by the negative impact of the infection spread of COVID-19.



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6

## Water & Environment

- Revenue in Japan decreased by 13.9 billion yen (-5%).
  - ✓ In the Pipe- and Infrastructure-Related Business, sales of ductile iron pipes increased, but sales of plastic pipes, industrial castings, spiral-welded-steel pipes, and air-conditioning equipment decreased due to restrictions on sales activities and delays in construction work caused by the infection spread of COVID-19, mainly in private sector demand.
  - ✓ In the Environment-Related Business, sales decreased due to the completion of a large-scale project for the construction of a radioactive waste treatment facility in Futaba Town, Fukushima Prefecture.
- Overseas sales declined by 0.4 billion yen (-1%).
  - ✓ In the Pipe Infrastructure-Related Business, sales of ductile iron pipes to North America and industrial castings to South Korea increased.
  - ✓ On the other hand, in the Environment-Related Business, delays in ODA projects due to the impact of COVID-19 led to a decrease in overseas EPC and other projects.

## Operating Profit

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(Unit: billions of yen)	Year ended Dec. 31, 2020		Year ended Dec. 31, 2019		Changes	
	Amount	%	Amount	%	Amount	%
<b>Operating profit</b>	175.3	9.5	201.7	10.5	-26.4	-13.1

### Factors affecting operating profit (YoY change -26.4 billion yen)

<b>1. Fluctuation in exchange rates</b>	US\$ (109→107 *1) Euro (122→122 *1) Other currencies	-5.5 billion yen -1.5 billion yen -4.5 billion yen	} -11.5 billion yen
<b>2. Foreign exchange gain/loss</b>		-0.9 billion yen	
<b>3. Material</b>	Machinery Water	+3.0 billion yen +3.0 billion yen	} +6.0 billion yen
<b>4. Change in sales incentive ratio</b>	North America : +7.2 billion yen etc.	+7.0 billion yen	
<b>5. Impact of increased or decreased sales</b>		-16.0 billion yen	
<b>6. Sales price increase</b>		+8.0 billion yen	
<b>7. Other</b>		-19.0 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→121

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7

- Changes in sales incentive ratio (+7.0 billion yen)
  - ✓ Although a strong program has been maintained in the U.S., interest rates have fallen significantly, which has lowered costs and contributed to higher profits.
- Other (-19.0 billion yen)
  - ✓ The profit and loss of the manufacturing bases included in the products shipped in the 1st quarter deteriorated due to the production cut in the 4th quarter of FY2019, which was the cause of the decrease of 8.7 billion yen.
  - ✓ In the 2nd quarter, the domestic and overseas manufacturing bases were temporarily shut down due to the impact of COVID-19, and the impact of accounting for fixed costs during this period as a one-time expense was the cause of the decrease of 2.4 billion yen.
  - ✓ In accordance with the impact of lower production volume in the 2nd quarter, the profit and loss of the manufacturing bases included in the products shipped in the third quarter deteriorated, which was the cause of the decline of 7.7 billion yen.
  - ✓ In total, a temporary profit decrease of 18.8 billion yen is included.
  - ✓ Other than that, profit decreased by 0.2 billion yen, but an increase in fixed factory costs, including depreciation and R&D, and personnel expenses is more than offset by a decrease in costs of air transportation of engines, a gain on the sale of fixed assets due to the relocation of the head office in Canada, and the elimination of typhoon-related losses incurred the year before last.

## Operating Profit by Reportable Segment

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(Unit: billions of yen)		Year ended Dec. 31, 2020	Year ended Dec. 31, 2019	Changes
<b>Machinery</b>	Revenue	1,508.8	1,558.3	-49.6
	Operating profit	179.6	203.1	-23.4
	OP margin	11.9%	13.0%	-1.1P
<b>Water</b>	Revenue	315.8	330.1	-14.3
	Operating profit	25.9	28.1	-2.2
	OP margin	8.2%	8.5%	-0.3P
<b>Other</b>	Revenue	28.7	31.6	-3.0
	Operating profit	3.8	3.6	+0.2
	OP margin	13.4%	11.4%	+1.9P
<b>Adjustment</b>	Operating profit	-34.1	-33.2	-0.9
<b>Total</b>	Revenue	1,853.2	1,920.0	-66.8
	Operating profit	175.3	201.7	-26.4
	OP margin	9.5%	10.5%	-1.0P

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8

- Operating profit in Machinery decreased. Despite the effect of sales price increase, improvement in incentive ratio, lower material prices, and other factors that contributed to higher profits, profit decreased due to a significant decrease in revenue in Japan and overseas, worsening foreign exchange rates, and the deterioration of profits and losses at manufacturing bases included in products shipped in FY2020 as a result of the significant production cutbacks I mentioned earlier.
- Operating profit in Water & Environment decreased. Although there were factors that contributed to increased profit, such as lower material prices, profit decreased due to lower revenue in Japan and increased plant construction costs.



## Shareholder Return History

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(Unit: billions of yen)	Year ended Dec. 31, 2016	Year ended Dec. 31, 2017	Year ended Dec. 31, 2018	Year ended Dec. 31, 2019	Year ended Dec. 31, 2020	Changes	Total of last 5 years
	U.S. GAAP		IFRS				
Profit attributable to owners of the parent (Per share)	132.5 (106.58yen)	136.4 (110.30yen)	138.6 (112.44yen)	149.1 (121.59yen)	128.5 (105.85yen)	- 20.5 (- 15.74yen)	685.1
Total amount of dividend paid (Dividend per share)	37.3 (30yen)	39.5 (32yen)	41.9 (34yen)	44.1 (36yen)	43.6 (36yen)	- 0.4 (+ 0yen)	206.4
Retirement of treasury shares (Number of shares retired)	6.0 (3.8 mil. shares)	13.2 (7.1 mil. shares)	2.9 (1.5 mil. shares)	19.6 (12.0 mil. shares)	19.9 (12.0 mil. shares)	+ 0.3 (+ 0.0 mil. shares)	61.5
Total shareholder return	43.3	52.7	44.8	63.6	63.5	- 0.2	267.9
Payout ratio	28%	29%	30%	30%	34%	+ 4P	30%
Shareholder return ratio (Dividends and retirement of treasury)	33%	39%	32%	43%	49%	+ 7P	39%

### Mid-term target for shareholder return

- Set the target of over 40% in shareholder return ratio, and aim at 50%
- Continue share buy-backs and prompt retirement of treasury shares

- Although profit decreased in FY2020, we returned the same level of shareholder returns as in FY2019, based on the fact that the business was solid, and the payout ratio was 34%. The shareholder return ratio was 49%.
- In addition, as explained by the President earlier, we will work to strengthen shareholder returns in our mid-term business plan. Specifically, we set the target of over 40% in shareholder return ratio, and aim at 50%.

## Statement of Financial Position

For Earth, For Life  
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(Unit: billions of yen)	As of Dec. 31, 2020	As of Dec. 31, 2019	Changes	Changes excl. the effects of fluctuation in exchange
Cash and cash equivalents	222.9	199.7	+ 23.3	
Trade receivables	592.0	682.6	- 90.6	▲ 77.0
Finance receivables	1,125.0	993.2	+ 131.8	+ 191.0
Inventories	374.0	382.4	- 8.4	▲ 1.0
Other	875.4	881.5	- 6.1	
<b>Total assets</b>	<b>3,189.3</b>	<b>3,139.3</b>	<b>+ 50.0</b>	
Bonds and borrowings	874.4	903.0	- 28.5	○ 11.0
Trade payables	323.6	293.8	+ 29.8	
Other	417.1	405.3	+ 11.7	
<b>Total liabilities</b>	<b>1,615.1</b>	<b>1,602.1</b>	<b>+ 13.0</b>	
Equity attributable to owners of the parent	1,476.0	1,442.8	+ 33.2	
Noncontrolling interests	98.1	94.4	+ 3.8	
<b>Total equity</b>	<b>1,574.2</b>	<b>1,537.2</b>	<b>+ 37.0</b>	
<b>Total liabilities and equity</b>	<b>3,189.3</b>	<b>3,139.3</b>	<b>+ 50.0</b>	
Net debt equity ratio	0.44	0.49	-0.05	
Net debt equity ratio (excl. financial services)	-0.30	-0.14	-0.16	

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10

- Total assets increased by 50.0 billion yen from the end of the previous fiscal year.
- Trade receivables decreased by 77.0 billion yen on a real basis, excluding the effect of exchange rates.
  - ✓ While production and shipments were delayed due to the impact of the infection spread of COVID-19, strong retail sales in North America led to a significant decrease in trade receivables due to the collection of accounts receivable from dealers.
- Total current and non-current finance receivables increased by 191.0 billion yen on a real basis.
  - ✓ The increase is mainly in North America, where retail sales were strong. In addition, the collection of financial receivables, although in the midst of the COVID-19 crisis, is in a better condition than the year before last.
- Total liabilities increased by 13.0 billion yen.
- Interest-bearing liabilities increased by 11.0 billion yen on a real basis.
  - ✓ Although finance receivables increased, the amount of increase was curbed due to progress in the collection of accounts receivable.

## Statement of Cash Flows

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(Unit: billions of yen)	Year ended	Year ended	Changes
	Dec. 31, 2020	Dec. 31, 2019	
Net cash provided by operating activities	142.9	82.4	+60.5
Increase in finance receivables	-185.3	-97.0	-88.3
Other	328.2	179.4	+148.8
Net cash used in investing activities	-47.1	-91.5	+44.3
Payments for acquisition of property, plant, and equipment and intangible assets	-84.8	-94.9	+10.1
Other	37.6	3.4	+34.2
Net cash used in financing activities	-68.4	-21.5	-46.8
Effect of exchange rate changes on cash and cash equivalents	-4.2	1.1	-5.3
Net increase (decrease) in cash and cash equivalents	23.3	-29.5	+52.7
Free cash flow	58.2	-12.4	+70.6
Free cash flow (excl. the changes in finance receivables)	243.4	84.5	+158.9

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11

- Net cash provided by operating activities was 142.9 billion yen.
  - ✓ This includes 208.7 billion yen in cash inflow related to profit and depreciation, 185.3 billion yen in cash outflow related to an increase in finance receivables, and 119.5 billion yen in cash inflow related to other items.
  - ✓ Cash inflow related to other items increased due to a decrease in trade receivables and an increase in trade payables.
  - ✓ Compared to the previous year, net cash provided by operating activities increased by 60.5 billion yen. Although there was a decrease in cash inflow due to a decrease in profit for the year and an increase in cash outflow due to an increase in finance receivables, cash inflow increased due to the collection of accounts receivable from dealers along with strong retail sales in North America.
  - ✓ Cash flow from investing activities and cash flow from financing activities are as shown.
  - ✓ Free cash flow was 58.2 billion yen, an increase of 70.6 billion yen from the previous year.
  - ✓ Free cash flow, which excludes changes in financing receivables and is our main focus, increased by 158.9 billion yen from the previous year to 243.4 billion yen.
  - ✓ As explained earlier by the President, we aim to generate a cumulative total of 880.0 billion yen in operating cash flow and 280.0 billion yen in free cash flow over the five-year period in the mid-term business plan.
  - ✓ We will continue to work to increase cash flow in order to make the necessary investments to achieve GMB2030.

## Financial Services <Reference (unaudited)>

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### Statement of Financial Position

(Unit: billions of yen)	As of Dec. 31, 2020		As of Dec. 31, 2019	
	Financial services	Equipment operations	Financial services	Equipment operations
<b>Total assets</b>	<b>1,317.4</b>	<b>2,097.3</b>	<b>1,181.2</b>	<b>2,048.2</b>
Cash and cash equivalents	24.9	198.0	19.8	179.8
Trade receivables	33.2	560.4	29.3	655.7
Finance receivables	1,125.0	-	993.2	-
Inventories	-	374.0	-	382.4
Property, plant, and equipment	1.2	423.5	0.5	404.9
Other	133.1	541.4	138.4	425.4
<b>Total liabilities</b>	<b>1,115.3</b>	<b>707.8</b>	<b>996.5</b>	<b>678.6</b>
Total interest-bearing liabilities	1,056.4	-	938.0	-
Other	59.0	707.8	58.4	678.6
<b>Total equity</b>	<b>202.1</b>	<b>1,389.5</b>	<b>184.7</b>	<b>1,369.7</b>

### Statement of Profit or Loss (Financial Services)

(Unit: billions of yen)	Year ended Dec. 31, 2020	Year ended Dec. 31, 2019	Changes	
	Amount	Amount	Amount	%
Revenue	79.2	76.0	+3.1	+4.1
Operating profit	41.5% 32.8	33.3% 25.3	+7.5	+29.7
Profit attributable to owners of the parent	25.1% 19.9	20.3% 15.4	+4.4	+28.7

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12

- As you can see, we have remained debt free on a basis excluding the financial services.
- We are also estimating the P&L of the finance services, and it maintained sufficient profitability.

The image features a teal background with a white border. In the center, 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 (U.S.)

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### U.S.

Retail sales of tractors and CEs are expected to decline slightly due to gradual weakening of strong demand caused by stay-at-home lifestyle, although the level of them is expected to remain at high mainly due to trends of relocating to suburbs. On the other hand, wholesales of each product are expected to increase significantly due to restocking of dealer inventories.

#### Tractors / RS\*

Retail sales of compact tractors are expected to decrease slightly due to weakening of strong demand caused by stay-at-home lifestyle in the 2nd half of this year, although those are expected to remain strong in the 1st half of this year. Retail sales of medium-sized tractors are expected to increase slightly because an increase in sales of over 60hp tractors is expected to compensate for a decrease in sales of 40-60hp tractors due to an adverse reaction from strong demand in the prior year. Retail sales of large-sized tractors are expected to decrease slightly in consideration of the possibility that government support for farmers may disappear.

#### CE / RS

Retail sales of mini-excavators and CTL are expected to decrease slightly due to adverse reaction from significantly increased sales in the prior year, while the demand is expected to continue to be at the high level due to strong housing demand. The severe competitive environment is expected due to recovery in supply capability of each competitor.

#### Tractors • CE / WS\*

Dealer inventories as of the end of the prior year were 3.3 months, which were at historically low level. Kubota aims to increase wholesales of each product significantly by recovery from delay in production and shipment in the prior year.

#### Engines / WS

Wholesales of engines are expected to increase significantly due to recovery in demand mainly for refrigerating trucks and construction & industrial machinery from a slump in the prior year.

\* RS: Retail sales, WS: Wholesales

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14

- In the U.S., although there is still a sense of uncertainty, the number of new cases of COVID-19 is on a downward trend, and the spread of vaccines is also expected.
- In addition, with the inauguration of President Biden, large-scale economic measures are also expected, and the number of housing construction projects that are considered to be strongly related to our business is currently at a high level of over 1.6 million.
- Tractors (retail sales)
  - ✓ Compact tractors (0-40hp), mainly for homeowners, are expected to continue to see high levels of demand due to staying at home and suburban migration. However, we expect a decrease in the 2nd half of this year due to adverse reaction from the very strong market growth in the 2nd half of last year. As a result, we are assuming a slight decrease for the full year compared to the previous year.
  - ✓ Especially in the 1st half of this year, dealer inventory is expected to be limited, but we will aim to increase our market share by carefully allocating inventory by dealer, product, and model.
  - ✓ With respect to medium-sized tractors (40-120hp), 40-60hp tractors, which are mostly used for personal use, are expected to see a reactionary decline in the 2nd half of this year, as with compact tractors. On the other hand, 60-120hp tractors, which are mostly for farmers, are expected to increase. As a result, total of 40-120hp tractors are expected to increase slightly.
  - ✓ The large-sized tractors (120-160hp) are expected to decrease slightly due to the possibility that the government support for farmers may disappear. The Company will focus on meticulous measures, such as planning sales reinforcement measures for each dealer, and aim to increase its market share and expand sales, despite the shrinking market.
- CE (retail sales)
  - ✓ In the CE market, which continued to grow steadily last year, we expect the overall CE market to be on a mild expansionary trend, assuming that the market for construction of commercial facilities, such as offices and hotels, will decline, but that the market for housing will remain strong against the backdrop of the FRB's low interest rate policy and the increase in suburban migration in the COVID-19 crisis.
  - ✓ We will work to maintain our market share that we expand last year by introducing new models of MB and developing rental companies.
- Tractors and CE (wholesales)
  - ✓ COVID-19 has caused delays in our production and shipment, and the dealer inventory at the end of last year was 3.3 months, which is too low. Therefore, wholesales, which are the Company's revenue, are expected to increase significantly from the previous year due to the need to replenish dealer inventories.
- Engines (wholesales)
  - ✓ Sales of engines are expected to increase substantially due to recovery in demand for refrigerator trucks and construction & industrial machinery.

## 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%	+33.3%	+13.3%	+18.0%	+21.0%
	40-120hp	-5.1%	+13.9%	+17.1%	+21.6%	+6.5%	+10.3%	+13.1%
	120-160hp	-14.1%	+9.2%	-10.4%	+8.8%	-0.1%	-3.9%	-0.3%

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.
2019	+2.7%	+7.4%	+11.0%	+25.0%	+5.6%	+7.4%	+11.7%
2020	+4.5%	-4.4%	+20.2%	+27.5%	-1.0%	+6.1%	+12.0%

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.-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%	+24.7%	+0.8%	+9.0%	+13.8%

Source: AEM (Association of Equipment Manufacturers)

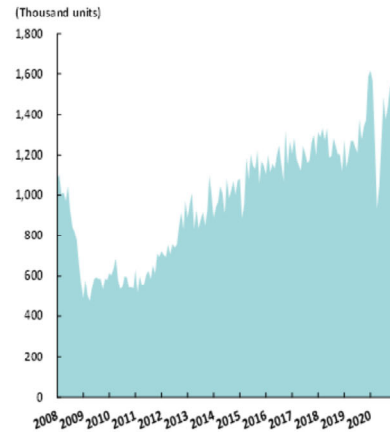
### ■ YoY growth rate of retail sales units in the skid steer loaders market

	Jan.-Mar.	Apr.-Jun.	Jul.-Sept.	Oct.-Dec.	Jan.-Jun.	Jan.-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%	-0.8%	-18.0%	-10.4%	-6.9%

Source: AEM (Association of Equipment Manufacturers)

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



Source: U.S. Census Bureau

## Recent Developments in Machinery (Europe)

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### Europe

Sales of tractors, CE, and Engines are expected to increase due to recovery in demand from a slump in the prior year.

#### Tractors / RS

Retail sales of compact tractors are expected to increase due to recovery from the negative impact of the infection spread of COVID-19. Retail sales of medium- and large-sized tractors are expected to increase significantly due to an adverse reaction from a large drop in the prior year caused by uncertainty about outlook for agricultural market.

#### Implements / WS

Wholesales of implements are expected to recover moderately similar to recovery in demand of medium- and large-sized tractors.

#### CE / RS

Retail sales of CE are expected to increase slightly due to recovery from conservative buying of major rental companies in the prior year.

#### Engines / WS

Wholesales of engines are expected to increase significantly due to recovery from suspended production by OEM clients and a slump of demand for construction & industrial machinery in the prior year.

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16

- Tractors
  - ✓ As for the tractor market for agriculture, we assume that the market will recover from the slump caused by the infection spread of COVID-19 and will be on a mild expansion trend, but we assume that demand for compact tractors, for which the decline was smaller than that of medium- and large-sized tractors, will remain at the same level as the previous year.
  - ✓ We will aim to increase our market share by introducing new models that comply with exhaust gas regulations (Stage V) and E-Kubota.
- Implement in agriculture-related market
  - ✓ The market for agricultural implements is expected to expand moderately, as is the market for tractors for agriculture.
- CE
  - ✓ Although the market for CE fell sharply last year due to the infection spread of COVID-19, the market is expected to expand due to the government's economic expansion measures and the resumption of investment by rental companies.
  - ✓ We will promote to strengthen our dealer network through online communication and steadily introduce new models to increase our market share.
- Engines
  - ✓ Demand for engines was also sluggish last year due to production cutbacks by OEM clients, but we expect sales to be on an upward trend as the construction & industrial equipment market recovers.



## Recent Developments in Machinery (Asia)

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### Thailand and neighboring countries

**Demand for farm equipment is expected to increase due to stable crop prices and favorable rainfall in the rainy season in the prior year. Growth rate of wholesales is expected to become better than that of retail sales due to adverse reaction from inventory adjustment in the 1st half of the prior year.**

#### Tractors / RS

Demand is expected to be solid due to resolution of water shortage and continuation of stable crop prices at a high level. Retail sales are expected to increase.

#### Combines / RS

Retail sales are expected to keep an expanding trend due to stable rice prices at a high level.

#### CE / RS

Retail sales are expected to increase due to solid demand for development of irrigation in rural area.

#### Neighboring countries / RS

Retail sales of tractors in Cambodia are expected to recover from a drop in the prior year. Retail sales in Myanmar are expected to increase due to an expansion in demand, while the impact of political instability needs to be monitored.

### China

**Budgeted government subsidies are expected to decrease due to adverse reaction from a significant increase in the prior year. Demand for most of farm equipment is expected to decrease due to adverse reaction from an increase of demand in the prior year.**

#### Combines / RS

Demand is expected to decrease mainly due to adverse reaction from increased demand in the prior year. Retail sales are expected to increase by introducing new models with a cabin whose demand shows an increase trend.

#### Rice transplanters / RS

Retail sales are expected to increase due to continuously increasing demand for riding rice transplanters resulted from promotion of mechanization by the government.

#### Engines / WS

Wholesales are expected to increase by taking advantage of an increase in demand for power generators and forklifts.

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17

### Thailand and neighboring countries

- Tractors (Thailand)
  - ✓ The market for tractors in Thailand is expected to expand due to high and stable crop prices and increased crop yields resulting from favorable rainfall in the rainy season last year. Government subsidies are also expected to support the market expansion.
  - ✓ Even though our sales activities are limited by the COVID-19 crisis, we plan to enhance our marketing activities by mixing the use of social media with traditional small- and medium-sized business events. In addition, we aim to expand business by promoting renewal demand from mixed farmers who grow rice and field crops, and by steadily developing new customer segments.
  - ✓ Last year, wholesales were controlled due to inventory adjustments. But inventory adjustments has completed, so wholesales are expected to increase more than retail sales this year.
- Combine harvesters (Thailand)
  - ✓ We expect the market to continue to expand due to high and stable rice prices and steady rainfall last year.
  - ✓ We will promote the diversification of target crops through the introduction of attachments for corn harvesting developed at our R&D base in Thailand.
- CE (Thailand)
  - ✓ Demand for development of irrigation in rural areas is expected to remain firm, and demand is expected to expand.
  - ✓ We will aim to expand our market share through the introduction of new products and other measures.
- Neighboring countries
  - ✓ We assume that demand for tractors in Cambodia is expected to recover from the slump caused by the infection spread of COVID-19 last year.
  - ✓ In Myanmar, demand is expected to continue to grow as the depreciation of the local currency is resolved. However, the impact of the political instability is unclear. Although we are currently able to conduct normal operations, we will continue to monitor future trends and take appropriate actions.

### China

- Farm equipment
  - ✓ Demand for farm equipment is expected to decrease, except for some products, in reaction to the significant increase in demand for many products last year.
  - ✓ Budgeted government subsidies for farmers, as shown on page 19, is expected to be CNY14.0 billion, a significant decrease from the previous year.
  - ✓ The market of general-purpose combine harvesters is expected to decline slightly from the previous year due to recovery from the impact of the flooding that occurred in the year before last in some regions, although there an adverse reaction from last year's expansion in demand is expected.
  - ✓ We aim to achieve the same level of sales as the previous year by introducing new products with cabins, for which demand has been increasing in recent years, and by promoting comfort.
  - ✓ We expect that demand for rice transplanters will continue to grow as it did last year due to the shortage of labors in the COVID-19 crisis and the government's promotion of mechanization.
  - ✓ We will try to compete with the local players by fully introducing new models.
- Engines
  - ✓ We aim to expand our business beyond the market growth by capturing the increase in demand, mainly for generators and forklifts.

## Recent Developments in Machinery (Japan)

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### Japan

Demand for tractors is expected to increase due to recovery from a slump in the prior year. Demand for combine harvesters and rice transplanters is expected to be at the same level as the prior year. Demand for CE and engines is expected to recover.

### Farm Equipment / RS

Retail sales of tractors are expected to increase due to recovery from adverse reaction from rushed demand before the consumption tax hike in the prior year and relief from the negative impact of the infection spread of COVID-19. On the other hand, retail sales of combine harvesters and rice transplanters are expected to increase slightly due to slow recovery from a slump.

### CE / RS

Retail sales are expected to recover from a slump of demand due to postponed construction work caused by the infection spread of COVID-19.

### Engines / WS

Wholesales are expected to increase due to recovery mainly from OEM clients' reduction in production volume along with the infection spread of COVID-19.

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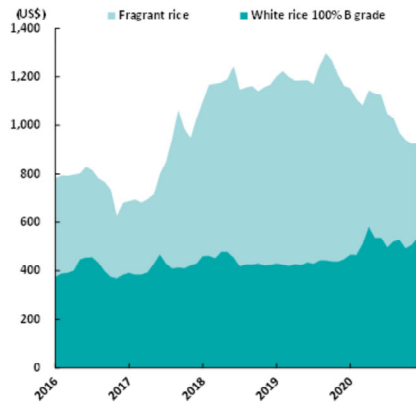
18

- Farm Equipment
  - ✓ Demand for tractors is expected to increase due to a recovery from last year's reactionary decline before the consumption tax hike and the weakening of the impact of COVID-19. We will strive to increase our market share by expanding our product lineup of tractors.
  - ✓ On the other hand, the market for combine harvesters and rice transplanters is expected to remain at the same level as the previous year due to the slow recovery of the market. We aim to increase our market share and achieve higher sales than the previous year by introducing low-cost rice transplanters.
  - ✓ With restrictions on holding large-scale exhibitions, the New Year's Gathering, which used to be held every year in January at an exhibition in Kyoto, was held online for the first time this year. We will continue to secure customer contacts and expand our market share for each product by strengthening digital marketing in conjunction with real-world proposal activities.
- CE
  - ✓ Demand for CE is expected to recover from the slump in demand caused by the stagnation of construction work due to the infection spread of COVID-19, as well as the reactionary decline in the prior year from rushed demand before the consumption tax hike.
- Engines
  - ✓ The demand will recover from production cutbacks by OEM clients due to the infection spread of COVID-19.

## Supplementary data of Thailand, China, and Japan

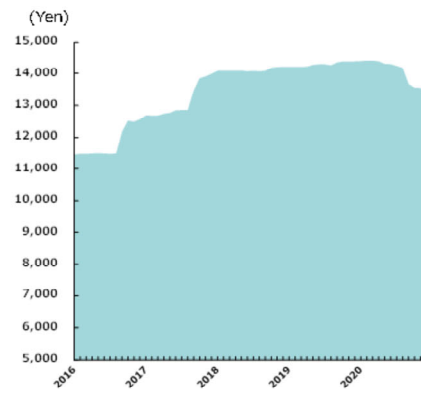
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### ■ Export price of Thai rice (US\$/t)



Source: USDA, Thai Rice Exporters Association

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



Source: Ministry of Agriculture, Forestry and Fisheries

### ■ Budgeted government subsidies for purchasers of farm equipment

(Unit: billions of RMB)		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Subsidies	1st stage	13.0	20.0	17.0	21.0	22.8	18.6	18.6	18.0	16.9	14.0
	Full year	21.5	21.8	23.8	23.8	23.7	18.6	18.6	18.0	27.4	—

Forecast

## Anticipated Operating Results

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(Unit: billions of yen)	Year ending Dec. 31, 2021 (Forecast)	Year ended Dec. 31, 2020 (Actual)	Changes		Six months ending June 30, 2021 (Forecast)
			Amount	%	
<b>Revenue</b>	2,050.0	1,853.2	+196.8	+10.6	1,040.0
Domestic	606.0	595.2	+10.8	+1.8	300.0
Overseas	1,444.0	1,258.0	+186.0	+14.8	740.0
<b>Operating profit</b>	10.7% 220.0	9.5% 175.3	+44.7	+25.5	11.5% 120.0
<b>Profit before income taxes</b>	11.0% 225.0	10.0% 185.9	+39.1	+21.0	11.8% 123.0
<b>Profit attributable to owners of the parent</b>	7.7% 158.0	6.9% 128.5	+29.5	+22.9	8.5% 88.0

- Revenue is expected to reach a record high and exceed 2 trillion yen for the first time.

## Anticipated Revenue by Reportable Segment

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(Unit: billions of yen)	Year ending Dec. 31, 2021 (Forecast)	Year ended Dec. 31, 2020 (Actual)	Changes	
			Amount	%
<b>Machinery</b>	1,700.0	1,509.1	+190.9	+12.7
Domestic	300.0	292.9	+7.1	+2.4
Overseas	1,400.0	1,216.2	+183.8	+15.1
<b>Water</b>	320.0	315.8	+4.2	+1.3
Domestic	276.0	274.0	+2.0	+0.7
Overseas	44.0	41.8	+2.2	+5.2
<b>Other</b>	30.0	28.3	+1.7	+5.8
Domestic	30.0	28.3	+1.7	+5.9
Overseas	0.0	0.0	-	-
<b>Total revenue</b>	<b>2,050.0</b>	<b>1,853.2</b>	<b>+196.8</b>	<b>+10.6</b>

<b>Domestic revenue</b>	<b>606.0</b>	<b>595.2</b>	<b>+10.8</b>	<b>+1.8</b>
<b>Overseas revenue</b>	<b>1,444.0</b>	<b>1,258.0</b>	<b>+186.0</b>	<b>+14.8</b>

\*Beginning with the year ending December 31, 2021, in conformity with the change in the business reporting structure, the amounts related to a part of its businesses will be reported in the "Farm & Industrial Machinery" segment, whereas they were formerly reported in the "Other" segment. Therefore, the information for the year ended December 31, 2020 was adjusted to conform to ongoing year's presentation.

For reference: Changes excluding the effects of fluctuation in exchange [-20.0 billion yen]  
>Overseas revenue in Machinery is forecast to increase by 17%. Total overseas revenue is forecast to increase by 16%.

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22

- Machinery
  - ✓ In the domestic market, sales of farm equipment, CE, and engines are expected to increase due to the recovery from the reactionary decline in the prior year from rushed demand before the consumption tax hike.
  - ✓ In the overseas market, sales of tractors and CE in North America are expected to increase substantially as a result of progress in catching up with last year's delayed production and shipments, in addition to a significant increase in sales of tractors and CE in Europe and sales in Thailand. As a result, overseas revenue is expected to increase by 15.1%.
- Water and Environment
  - ✓ In the domestic market, sales of ductile iron pipes and environmental services are expected to decline. But sales of plastic pipes, valves for public sector, overseas EPC, which declined last year due to the infection spread COVID-19, are expected to increase. As a result, domestic revenue is expected to be on par with the previous year.
  - ✓ Overseas revenue is expected to increase mainly due to an increase in sales of pumps for the Middle East.
- For reference
  - ✓ As for the impact of foreign exchange rates on overseas sales, we expect JPY to depreciate against the euro compared to the previous year, but we expect the JPY to appreciate against USD, THB, and CNY, resulting in a total decrease in revenue of about 20.0 billion yen.

## Anticipated Operating Profit

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(Unit: billions of yen)	Year ending Dec. 31, 2021 (Forecast)		Year ended Dec. 31, 2020 (Actual)		Changes	
	Amount	%	Amount	%	Amount	%
Operating profit	220.0	10.7	175.3	9.5	+44.7	+25.5

### Factors affecting operating profit (YoY change +44.7 billion yen)

<b>1. Fluctuation in exchange rates</b>	US\$ (107→105 *1) Euro (122→125 *1) Other currencies	-10.5 billion yen +3.5 billion yen -2.0 billion yen	-9.0 billion yen
<b>2. Foreign exchange gain/loss</b>			-2.0 billion yen
<b>3. Material</b>	Machinery Water	-10.0 billion yen -3.0 billion yen	-13.0 billion yen
<b>4. Change in sales incentive ratio</b>	North America : -9.8 billion yen, Europe: -0.7 billion yen etc.		-11.3 billion yen
<b>5. Impact of increased or decreased sales</b>			+65.0 billion yen
<b>6. Sales price increase</b>			+12.0 billion yen
<b>7. Other</b>			+3.0 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\$:108→105 Euro:121→125

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23

- Changes in sales incentive ratio (-11.3 billion yen)
  - ✓ We expect interest rates in the U.S. to rise moderately. The changes in sales incentive ratio is expected to be negative impact on operating profit due to the adverse reaction from the reversal of the provision for incentive expenses that was incurred last year along with the decline in interest rate during FY2020.
- Sales price increase (+12.0 billion yen)
  - ✓ Sales price increase is expected to be a positive factor mainly due to the price increase for some products in response to expected increase in material prices and distribution costs.
- Other (+3.0 billion yen)
  - ✓ As I explained in the slide of results in the previous fiscal year, there were temporary factors that caused a decrease in operating profit due to production cutbacks in the prior year. On the contrary, this will be a factor for an increase of 18.8 billion yen this year. On the other hand, the gain on the sale of fixed assets in Canada, which occurred last year, is expected to be 2.4 billion yen as a factor in the decrease in profits this year.
  - ✓ In addition to an increase in personnel expenses and selling, general, and administrative expenses, R&D expenses and depreciation and amortization expenses will increase in line with aggressive investments. In total, Other is expected to be a factor in the increase in operating profit of only 3.0 billion yen.

## Anticipated Operating Profit by Reportable Segment

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(Unit: billions of yen)		Year ending Dec. 31, 2021 (Forecast)	Year ended Dec. 31, 2020 (Actual)	Changes
<b>Machinery</b>	Revenue	1,700.0	1,509.1	+190.9
	Operating profit	228.0	180.0	+48.0
	OP margin	13.4%	11.9%	+1.5P
<b>Water</b>	Revenue	320.0	315.8	+4.2
	Operating profit	27.0	25.9	+1.1
	OP margin	8.4%	8.2%	+0.2P
<b>Other</b>	Revenue	30.0	28.4	+1.6
	Operating profit	3.0	3.5	-0.5
	OP margin	10.0%	12.2%	-2.2P
<b>Adjustment</b>	Operating profit	-38.0	-34.1	-3.9
<b>Total</b>	Revenue	2,050.0	1,853.2	+196.8
	Operating profit	220.0	175.3	+44.7
	OP margin	10.7%	9.5%	+1.3P

\*Beginning with the year ending December 31, 2021, in conformity with the change in the business reporting structure, the amounts related to a part of its businesses will be reported in the "Farm & Industrial Machinery" segment, whereas they were formerly reported in the "Other" segment. Therefore, the information for the year ended December 31, 2020 was adjusted to conform to ongoing year's presentation.

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24



## CAPEX, Depreciation and R&D Expenses

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### ■ CAPEX, Depreciation and R&D expenses

(Unit: billions of yen)	Year ending Dec. 31, 2021 (Forecast)	Year ended Dec. 31, 2020 (Actual)	Year ended Dec. 31, 2019 (Actual)
Capital expenditures *	140.0	87.2	86.7
Depreciation and amortization *	61.0	53.2	48.9
R&D expenses	61.0	55.3	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.

- Capital expenditures is up to 140.0 billion yen.
  - ✓ In Japan, investments associated with the establishment of a R&D base in Sakai, which were delayed due to the impact of COVID-19 in the previous fiscal year, will increase significantly. In addition, we are also planning BCP investment as well.
  - ✓ Overseas, as we have already disclosed, we plan to invest in a manufacturing base of CE in the U.S.
- Depreciation and amortization are expected to be 61.0 billion yen, and R&D expenses are also expected to be 61.0 billion yen.
- As explained earlier by the President, we will actively invest the resources generated by the growth of existing businesses to achieve GMB2030 and lead to further growth in the future.

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### 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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