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Kubota

**ON YOUR SIDE**

**Financial Results**  
for the year ended December 31, 2021

**Masato Yoshikawa**  
Executive Vice President and Representative Director,  
General Manager of Planning & Control Headquarters

February 18, 2022



# Financial Summary

For Earth, For Life  


(Unit: billions of yen)	Year ended Dec. 31, 2021	Year ended Dec. 31, 2020	Changes		Variance from revised forecast (Aug. 2021)	
			Amount	%	Amount	%
<b>Revenue</b>	2,196.8	1,853.2	+343.5	+18.5	+46.8	+2.2
Domestic	602.8	595.2	+7.6	+1.3	-13.2	-2.1
Overseas	1,594.0	1,258.0	+335.9	+26.7	+60.0	+3.9
<b>Operating profit</b>	11.2% 246.2	9.5% 175.3	+70.9	+40.5	-13.8	-5.3
<b>Profit before income taxes</b>	11.5% 252.6	10.0% 185.9	+66.7	+35.9	-10.4	-4.0
<b>Profit attributable to owners of the parent</b>	8.0% 175.6	6.9% 128.5	+47.1	+36.7	-7.4	-4.0

	Year ended Dec. 31, 2021	Year ended Dec. 31, 2020	Changes
<b>ROE</b>	11.1%	8.8%	+2.3 p

## Revenue by Reportable Segment

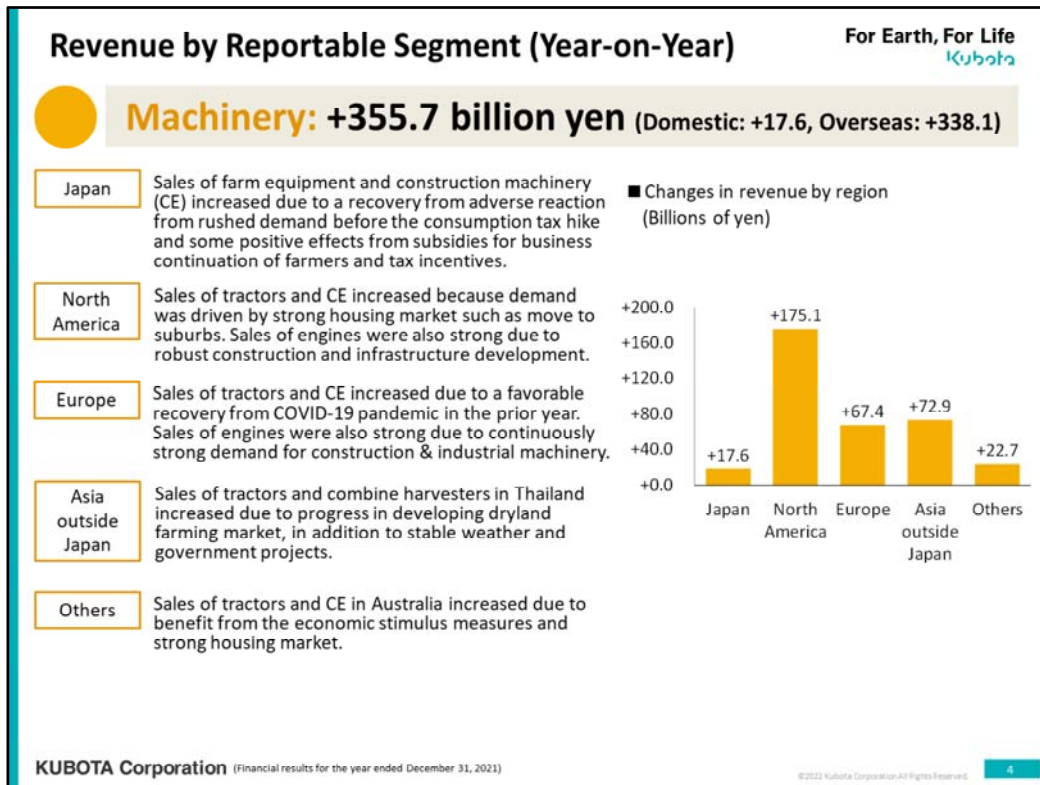
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(Unit: billions of yen)	Year ended Dec. 31, 2021	Year ended Dec. 31, 2020	Changes	
			Amount	%
<b>Farm &amp; Industrial Machinery (Machinery)</b>	<b>1,864.8</b>	<b>1,509.1</b>	<b>+355.7</b>	<b>+23.6</b>
Domestic	310.5	292.9	+17.6	+6.0
Overseas	1,554.3	1,216.2	+338.1	+27.8
<b>Water &amp; Environment (Water)</b>	<b>305.4</b>	<b>315.8</b>	<b>-10.4</b>	<b>-3.3</b>
Domestic	265.7	274.0	-8.2	-3.0
Overseas	39.7	41.8	-2.2	-5.2
<b>Other</b>	<b>26.6</b>	<b>28.4</b>	<b>-1.8</b>	<b>-6.3</b>
Domestic	26.6	28.3	-1.8	-6.3
Overseas	0.0	0.0	+0.0	+14.3
<b>Total revenue</b>	<b>2,196.8</b>	<b>1,853.2</b>	<b>+343.5</b>	<b>+18.5</b>

<b>Domestic revenue</b>	<b>602.8</b>	<b>595.2</b>	<b>+7.6</b>	<b>+1.3</b>
<b>Overseas revenue</b>	<b>1,594.0</b>	<b>1,258.0</b>	<b>+335.9</b>	<b>+26.7</b>

For reference: Changes excluding the effects of fluctuation in exchange [+65.0 billion yen]  
 >Overseas revenue in Machinery increased by 22%. Total overseas revenue increased by 22%.

\*Beginning with the year ended December 31, 2021, in conformity with the change in the business reporting structure, the amounts related to "Financial services businesses" are reported in the "Farm & Industrial Machinery" segment, whereas they were formerly reported in the "Other" segment. The information for the prior year has been retrospectively adjusted to conform to the current year's presentation.

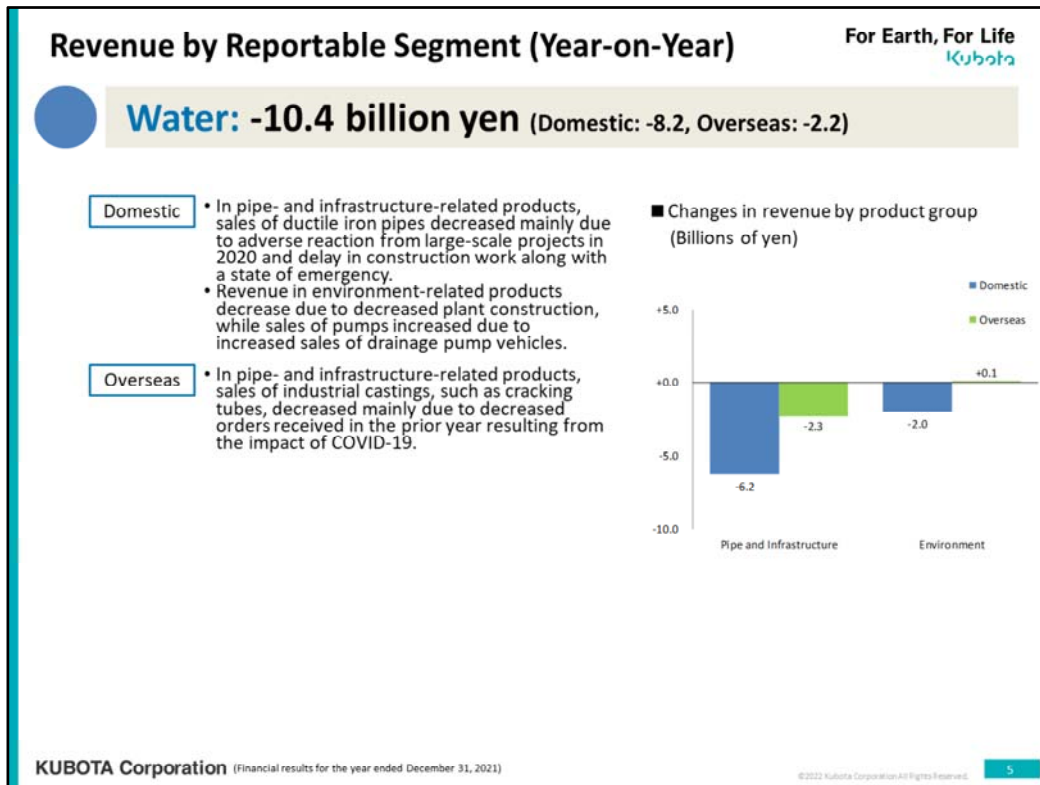


Domestic revenue in Farm & Industrial Machinery increased by 17.6 billion yen (+8%).

- Sales of farm equipment and construction machinery (CE) increased mainly due to some positive effects from subsidies for business continuation and tax incentives in addition to a recovery from adverse reaction from rushed demand before the consumption tax hike.

Overseas revenue in Farm & Industrial Machinery increased by 338.1 billion yen (+28%)

- Revenue in North America increased by 175.1 billion yen (+28%).
  - ✓ Sales of tractors and CE increased due to strong demand along with move to suburbs.
  - ✓ Sales of engines were steady due to robust demand for construction and infrastructure development.
  - ✓ Port congestion and procurement delay continue. Dealer inventory in US was 2.0 month at the end of last year. It was increased from 1.6 month of 3Q. However, the inventory is still low level.
- Revenue in Europe increased by 67.4 billion yen (+31%).
  - ✓ Sales of tractors and CE increased because of recovery from a slump in FY2020 mainly due to suspended operation by dealers and decreased demand resulting from lockdown.
  - ✓ Sales of Engines were solid due to continuously strong demand for construction & industrial machinery.
- Revenue in Asia outside Japan increased by 72.9 billion yen (+23%).
  - ✓ Sales of tractors and combine harvesters in ASEAN, mainly Thailand, increased significantly mainly due to stable weather conditions and government projects as well as market development of dryland farming.
  - ✓ In India, sales increased due to a reverse response of lockdown of last year.
- Revenue in Others increased by 16.2 billion yen (+81%).
  - ✓ In Australia, sales of tractors and CE increased significantly mainly due to benefit from the economic stimulus measures and strong housing market.



### Water & Environment

- Domestic revenue decreased by 8.2 billion yen (-3%).
  - ✓ In pipe- and infrastructure-related products, sales of ductile iron pipes decreased mainly due to adverse reaction from large-scale projects in the prior year and delay in construction work along with the infection spread of COVID-19.
  - ✓ In environment-related products, revenue decreased due to a decreased plant construction even though sales of drainage pump vehicles were strong.
- Overseas revenue decreased by 2.2 billion yen (-5%).
  - ✓ In pipe- and infrastructure-related products, sales of industrial castings, mainly cracking tubes, decreased mainly due to decreased orders received in the prior year resulting from the infection spread of COVID-19. However, orders in 2021 had been strong due to recovered demand.

## Operating Profit

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(Unit: billions of yen)	Year ended Dec. 31, 2021		Year ended Dec. 31, 2020		Changes	
	Amount	%	Amount	%	Amount	%
Operating profit	246.2	11.2	175.3	9.5	+70.9	+40.5

### Factors affecting operating profit (YoY change +70.9 billion yen)

<b>1. Fluctuation in exchange rates</b>	US\$ (107→110 *1) Euro (122→130 *1) Other currencies	-1.5 billion yen +7.0 billion yen +9.5 billion yen	<b>+15.0 billion yen</b>
<b>2. Foreign exchange gain/loss</b>			<b>+11.5 billion yen</b>
<b>3. Material</b>	Machinery Water	-30.3 billion yen -7.2 billion yen	<b>-37.5 billion yen</b>
<b>4. Change in sales incentive ratio</b>	North America : +3.2 billion yen etc.		<b>+3.3 billion yen</b>
<b>5. Impact of increased or decreased sales</b>			<b>+79.6 billion yen</b>
<b>6. Sales price increase</b>			<b>+21.1 billion yen</b>
<b>7. Other</b>			<b>-22.1 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\$:108→107 Euro:121→129

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6

- Changes in sales incentive ratio (+3.3 billion yen)
  - ✓ US interest rate in 2021 was lower than one of previous year.
- Sales price increase (+21.1 billion yen)
  - ✓ This was mainly due to the effect of price increases in North America.
- Other (-22.1 billion yen)
  - ✓ Unexpected cost were taking conservative warranty provision stemmed from exhausted gas regulation in US, which was -8.4 billion yen, shipping and logistics expenses increase by more exporting from Japan, and increase in material and personnel cost in North America.
  - ✓ The result was below our 2Q forecast. But we didn't think our market demand went down.
  - ✓ Breakdown of Others:
    - Cost increase of -21.4 billion yen including unexpected costs as mentioned above
    - Increase in R&D of -10.0 billion yen
    - Increase in depreciation and amortization of -5.0 billion yen caused by capital investments
    - Personnel expenses increase of -6.0 billion yen
    - Disappearance of negative effect by COVID-19 last year of +18.9 billion yen

## Operating Profit by Reportable Segment

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(Unit: billions of yen)		Year ended Dec. 31, 2021	Year ended Dec. 31, 2020	Changes
<b>Machinery</b>	Revenue	1,864.8	1,509.1	+355.7
	Operating profit	250.4	180.0	+70.4
	OP margin	13.4%	11.9%	+1.5P
<b>Water</b>	Revenue	305.4	315.8	-10.4
	Operating profit	22.3	25.9	-3.7
	OP margin	7.3%	8.2%	-0.9P
<b>Other</b>	Revenue	26.6	28.4	-1.8
	Operating profit	3.7	3.5	+0.2
	OP margin	13.9%	12.2%	+1.7P
<b>Adjustment</b>	Operating profit	-30.2	-34.1	+3.9
<b>Total</b>	Revenue	2,196.8	1,853.2	+343.5
	Operating profit	246.2	175.3	+70.9
	OP margin	11.2%	9.5%	+1.7P

\*Beginning with the year ended December 31, 2021, in conformity with the change in the business reporting structure, the amounts related to "Financial services businesses" are reported in the "Farm & Industrial Machinery" segment, whereas they were formerly reported in the "Other" segment. The information for the prior year has been retrospectively adjusted to conform to the current year's presentation.

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7

- Operating profit in Farm & Industrial Machinery increased mainly due to significantly increased revenue in the domestic and overseas markets albeit there was a negative effect of cost increase such as material and transportation.
- Operating profit in Water & Environment decreased due to a decrease in revenue and soaring material costs.



## Shareholder Return History

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(Unit: billions of yen)	Year ended Dec. 31, 2017	Year ended Dec. 31, 2018	Year ended Dec. 31, 2019	Year ended Dec. 31, 2020	Year ended Dec. 31, 2021	Changes	Total of last 5 years
	U.S. GAAP	IFRS					
Profit attributable to owners of the parent (Per share)	136.4 (110.30yen)	138.6 (112.44yen)	149.1 (121.59yen)	128.5 (105.85yen)	175.6 (145.52yen)	+ 47.1 (+39.67yen)	728.3
Total amount of dividend paid (Dividend per share)	39.5 (32yen)	41.9 (34yen)	44.1 (36yen)	43.6 (36yen)	50.6 (42yen)	+ 7.0 (+ 6yen)	219.7
Retirement of treasury shares (Number of shares retired)	13.2 (7.1 mil. shares)	2.9 (1.5 mil. shares)	19.6 (12.0 mil. shares)	19.9 (12.0 mil. shares)	20.2 (8.3 mil. shares)	+ 0.4 (- 3.7mil. shares)	75.7
<b>Total shareholder return</b>	<b>52.7</b>	<b>44.8</b>	<b>63.6</b>	<b>63.5</b>	<b>70.8</b>	<b>+ 7.3</b>	<b>295.4</b>
Payout ratio	29%	30%	30%	34%	29%	▲ 5P	30%
Shareholder return ratio (Dividends and retirement of treasury)	39%	32%	43%	49%	40%	▲ 9P	41%

### 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

- There was no change of our target for shareholder return
- Dividend was increased by 6 yen and shareholder return ratio in 2021 was 40%



## Statement of Financial Position

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(Unit: billions of yen)	As of Dec. 31, 2021	As of Dec. 31, 2020	Changes	Changes excl. the effects of fluctuation in exchange rates
Cash and cash equivalents	258.6	222.9	+ 35.7	
Trade receivables	574.3	592.0	- 17.7	▲ 42.0
Finance receivables	1,410.4	1,125.0	+ 285.4	+ 175.0
Inventories	510.1	374.0	+ 136.1	+ 105.0
Other	1,020.1	875.4	+ 144.7	
<b>Total assets</b>	<b>3,773.5</b>	<b>3,189.3</b>	<b>+ 584.2</b>	
Bonds and borrowings	1,094.5	874.4	+ 220.1	+ 145.0
Trade payables	392.3	323.6	+ 68.7	
Other	501.7	417.1	+ 84.6	
<b>Total liabilities</b>	<b>1,988.5</b>	<b>1,615.1</b>	<b>+ 373.4</b>	
Equity attributable to owners of the parent	1,678.0	1,476.0	+ 201.9	
Noncontrolling interests	107.0	98.1	+ 8.9	
<b>Total equity</b>	<b>1,785.0</b>	<b>1,574.2</b>	<b>+ 210.8</b>	
<b>Total liabilities and equity</b>	<b>3,773.5</b>	<b>3,189.3</b>	<b>+ 584.2</b>	
Net debt equity ratio	0.50	0.44	0.06	
Net debt equity ratio (excl. financial services)	-0.21	-0.30	0.09	

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9

- Trade receivables excluding the effects of fluctuation in exchange rates decreased by 42.0 billion yen.
  - ✓ In the US, trade receivables from dealers decreased due to strong retail sales, while shipments delayed.
- Finance receivables excluding the effects of fluctuation in exchange rates increased by 175.0 billion yen.
  - ✓ Finance receivables increased mainly in North America, where retail sales were strong. In addition, the collection status of finance receivables continues to be favorable.
- Inventories excluding the effects of fluctuation in exchange rates increased by 105.0 billion yen.
  - ✓ Inventories in transit increased mainly due to port congestion.
- Interest-bearing liabilities excluding the effects of fluctuation in exchange rates increased by 145.0 billion yen.
  - ✓ Although finance receivables increased significantly along with strong retail sales, the amount of increase was limited mainly due to good progress in the collection of trade receivables.

## Statement of Cash Flows

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(Unit: billions of yen)	Year ended Dec. 31, 2021	Year ended Dec. 31, 2020	Changes
Net cash provided by operating activities	92.5	142.9	-50.4
Increase in finance receivables	-180.8	-185.3	+4.5
Other	273.3	328.2	-54.9
Net cash used in investing activities	-127.4	-47.1	-80.2
Payments for acquisition of property, plant, and equipment and intangible assets	-125.7	-84.8	-41.0
Other	-1.6	37.6	-39.3
Net cash provided by (used in) financing activities	60.6	-68.4	+128.9
Effect of exchange rate changes on cash and cash equivalents	10.0	-4.2	+14.2
Net increase in cash and cash equivalents	35.7	23.3	+12.5
<b>Free cash flow</b>	-33.2	58.2	-91.4
Free cash flow (excl. the impact of increase in finance receivables)	147.6	243.4	-95.9

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10

- Net cash provided by operating activities was 92.5 billion yen.
  - ✓ This included 262.4 billion yen in cash inflow related to profit for the year and depreciation and amortization, 180.8 billion yen in cash outflow related to an increase in finance receivables, and 10.9 billion yen in cash inflow related to other items.
  - ✓ Compared to the prior fiscal year, net cash inflow decreased by 50.4 billion yen. In-transit inventory increased by port congestion.
- Free cash flow excluding the impact of increase in finance receivables, which we prioritize, decreased by 95.9 billion yen from the prior year to 147.6 billion yen.

## Financial Services <Reference (unaudited)>

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### Statement of Financial Position

(Unit: billions of yen)	As of Dec. 31, 2021		As of Dec. 31, 2020	
	Financial services	Equipment operations	Financial services	Equipment operations
<b>Total assets</b>	<b>1,636.4</b>	<b>2,404.0</b>	<b>1,317.4</b>	<b>2,097.3</b>
Cash and cash equivalents	30.4	228.3	24.9	198.0
Trade receivables	30.7	544.6	33.2	560.4
Finance receivables	1,410.4	-	1,125.0	-
Inventories	-	510.1	-	374.0
Property, plant, and equipment	5.7	490.7	1.2	423.5
Other	159.4	630.4	133.1	541.4
<b>Total liabilities</b>	<b>1,384.0</b>	<b>855.2</b>	<b>1,115.3</b>	<b>707.8</b>
Total interest-bearing liabilities	1,301.6	-	1,056.4	-
Other	82.4	855.2	59.0	707.8
<b>Total equity</b>	<b>252.4</b>	<b>1,548.7</b>	<b>202.1</b>	<b>1,389.5</b>

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

(Unit: billions of yen)	Year ended Dec. 31, 2021	Year ended Dec. 31, 2020	Changes	
	Amount	Amount	Amount	%
Revenue	89.8	79.2	+10.7	+13.5
Operating profit	50.3% 45.2	41.5% 32.8	+12.3	+37.6
Profit attributable to owners of the parent	30.9% 27.8	25.1% 19.9	+7.9	+39.8

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11

- Equipment operations excluding financial services have maintained a debt-free status.
- The P/L of the financial services has also been calculated, and it has maintained sufficient profitability.

A teal-colored rectangular area with a thin black border. In the center, there is a white rectangular box containing the text "Recent Developments In Machinery" in a teal, sans-serif font.

Recent Developments  
In Machinery

## Recent Developments in Machinery (U.S.)

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**U.S.**

**Retail sales of tractors and CE are expected to remain strong continuously thanks to strong housing market caused by boom in move to suburbs. However, it is expected to take time to increase dealer inventories significantly.**

<b>Tractors / RS*</b>	<p>While demand for home owners continues to be strong, sales in the 1st half of the year are expected to be at the same level as the prior year due to constraint of inventories. Sales in the 2nd half of the year are expected to increase due to improvement in supply. Demand for farmers are expected to be solid due to stable crop prices, such as beef and milk, at a high level.</p>
<b>CE / RS</b>	<p>Sales are expected to increase due to an increase in construction related to government infrastructure project, in addition to strong demand for construction along with strong housing starts.</p>
<b>Tractors + CE / WS*</b>	<p>It is expected to take time to resolve delay in production and shipment caused by port congestion and shortage of production components and also increase dealer inventories significantly.</p>
<b>Engines / WS</b>	<p>Sales mainly for construction &amp; industrial machinery are expected to increase due to continuously strong demand by OEM clients.</p>

\* RS: Retail sales, WS: Wholesales

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- The number of housing starts (SAAR), which is considered to be strongly related to our businesses, has remained at a high level of over 1.7 million, and demand continues to be strong.
- ① Tractors (retail sales)
  - Demand for home owners (less 60HP) is solid supported by moving to suburbs. Sales in the 1st half are almost the same level of last year due to inventory constrain, but one in 2nd half increases thanks to an improvement of production level.
  - Demand for famers (60-160hp) expands due to high prices of agricultural product such as beef and milk.
- ② CE (retail sales)
  - Sales are expected to increase due to a robust housing market as well as the infrastructure project initiated by government.
- ③ Tractors and CE (wholesales)
  - It is expected to take time to resolve delay in production and shipment caused by port congestion and shortage of production components and also increase dealer inventories significantly.
  - We optimize inventory among dealers by detailed allocation and start to produce the shortage model in Japan. We minimize the risk of sales loss and increase dealer inventory steadily.
- ④ Engines (wholesales)
  - OEM Demand is expected to be strong, mainly for construction & industrial machinery.

## Supplementary data of U.S.

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### ■ 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.
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%
2021							
0-40hp	+64.3%	-1.9%	+1.2%	+2.9%	+15.2%	+10.5%	+8.9%
40-120hp	+34.0%	+11.4%	+4.9%	+3.8%	+19.3%	+13.8%	+11.1%
120-160hp	+29.8%	+16.9%	+29.2%	+18.7%	+22.1%	+24.5%	+22.7%

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.
2020	+4.5%	-4.4%	+20.2%	+27.5%	-1.0%	+6.1%	+12.0%
2021	+38.0%	+30.4%	+7.4%	+2.1%	+33.5%	+23.4%	+16.8%

Source: AEM (Association of Equipment Manufacturers)

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

	Jan.-Mar.	Apr.-Jun.	Jul.-Sept.	Oct.-Dec.	Jan.-Jun.	Jan.-Sept.	Jan.-Dec.
2020	+2.2%	-0.1%	+25.0%	+24.7%	+0.8%	+9.0%	+13.8%
2021	+46.5%	+32.3%	+8.5%	-7.1%	+37.9%	+26.5%	+15.2%

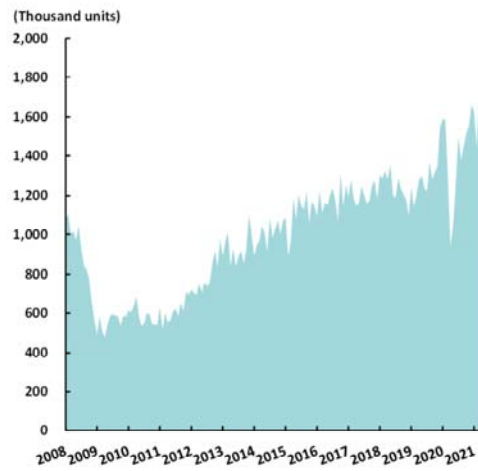
Source: AEM (Association of Equipment Manufacturers)

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


	Jan.-Mar.	Apr.-Jun.	Jul.-Sept.	Oct.-Dec.	Jan.-Jun.	Jan.-Sept.	Jan.-Dec.
2020	-10.9%	-23.6%	+6.4%	-0.8%	-18.0%	-10.4%	-6.9%
2021	+14.8%	+27.1%	-2.6%	-21.6%	+21.1%	+12.3%	-0.8%

Source: AEM (Association of Equipment Manufacturers)

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



Source: U.S. Census Bureau

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## Recent Developments in Machinery (Europe)

**Europe** Demand for farm equipment is expected to be at the same level as the prior year. Demand for CE is expected to be strong due to robust infrastructure investment in each country.

**Tractors / RS** Economic trends are solid. Demand for farm equipment is expected to be at the same level as the prior year due to a lull in recovery in the prior year.

**Implements / WS** While demand is expected to expand in line with the solid demand for farm equipment, the growth is expected to be limited due to an impact of sales price increase along with rise in steel prices.

**CE / RS** Demand is expected to be solid due to progress in investments in each country, in addition to tax incentives in Italy and the UK.

**Engines / WS** Demand for construction & industrial machinery and refrigeration equipment is expected to continue to be strong. However, sales are not able to catch up with demand fully because it is difficult to respond to all surge requests by OEM clients.

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① Tractors (retail sales)

Economic trends are solid. Demand for farm equipment is expected to be at the same level as the prior year, which was strong, due to a lull in recovery in the prior year.

② Implement (wholesales)

While demand is expected to expand in line with the solid demand for farm equipment, the growth is expected to be limited due to an impact of sales price increase along with rise in steel prices.

③ CE (retail sales)

Demand is expected to be solid due to progress in investments in each country, in addition to tax incentives in Italy and the UK.

④ Engines (wholesales)

Demand for construction & industrial machinery and refrigeration equipment is expected to continue to be strong. However, sales are not able to catch up with demand fully because it is difficult to respond to all surge requests by OEM clients.



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## Recent Developments in Machinery (Asia)

<b>Thailand and neighboring countries</b>	<b>Demand is expected to be unchanged significantly. However, sales are expected to decrease from the prior year because there is a high possibility that government projects will not be implemented.</b>
<b>Farm Equipment / RS</b>	Demand for rice farming is expected to be dampened slightly due to a declining rice price. The impact is mitigated by rice price guarantee system. Demand for dryland farming is expected to be stable due to remaining prices of cassava and sugar cane at a high level. However, Sales are expected to decrease due to adverse reaction from government projects in the prior year.
<b>CE / RS</b>	Sales are expected to increase due to an increase in public construction resulting from economic stimulus measures by the government.
<b>Neighboring countries / RS</b>	Demand in Myanmar is expected to be slowdown because retail sales price are not fixed due to unstable local currency.
<b>China</b>	<b>Demand for higher-priced farm equipment is expected to decrease slightly in line with a decrease in unit price of budgeted government subsidies. However, sales in China as a whole are expected to be solid partly due to a rushed demand before the Tier 4 exhaust gas regulations.</b>
<b>Farm Equipment / RS</b>	Sales of farm equipment as a whole are expected to increase due to rushed order from price increase caused by exhaust gas regulations.
<b>CE / RS</b>	Sales are expected to increase due to an increase in private construction despite a decrease in public construction.
<b>Engines / WS</b>	Sales are expected to be solid, mainly for forklifts, elevated work vehicles, and refrigeration equipment.

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### Thailand and neighboring countries

#### ① Tractors - Thailand (retail sales)

- Demand for rice farming is expected to be dampened slightly due to a declining rice price. The impact is mitigated by rice price guarantee system.
- Demand for dryland farming is expected to be stable due to remaining prices of cassava and sugar cane at a high level.
- However, sales are expected to decrease due to adverse reaction from government projects in the prior year.

#### ② CE - Thailand (retail sales)

- Sales are expected to increase due to an increase in public construction resulting from economic stimulus measures by the government.

#### ③ Neighboring countries (retail sales)

- Retail sales in Cambodia are expected to be solid due to stable crop prices.
- Demand in Myanmar is expected to be slowdown because retail sales price are not fixed due to unstable local currency.

### China

#### ① Farm equipment (retail sales)


- Demand for higher-priced farm equipment is expected to decrease slightly in line with a decrease in unit price of budgeted government subsidies, although the subsidies in total are expected to be increase.
- Sales of farm equipment as a whole are expected to increase due to rushed order before price increase caused by the Tier 4 exhaust gas regulations.
- Sales of rice transplanters are expected to increase by an introduction of new model

#### ② CE (retail sales)

- Sales are expected to increase due to an increase in private construction despite a decrease in public construction.

#### ③ Engines (wholesales)

- Sales are expected to be solid, mainly for forklifts, elevated work vehicles, and refrigeration equipment.

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## Recent Developments in Machinery (Japan)

<b>Japan</b>	Demand for farm equipment is expected to decrease slightly due to termination of subsidies for business continuation of farmers and a negative effect from a decline in rice prices. Demand for CE and engines has a tendency to recover due to relaxation of restriction in activities caused by COVID-19.
<b>Farm Equipment / RS</b>	Sales are expected to increase due to a positive effect from introduction of new models despite a slight decrease in the market.
<b>CE / RS</b>	Demand is expected to recover due to relaxation of restriction in activities caused by COVID-19, and sales are expected to be solid, mainly for rental companies.
<b>Engines / WS</b>	Demand is expected to be solid mainly for civil engineering machinery such as generators and road machinery.

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① Farm equipment (retail sales)

- Sales are expected to increase due to a positive effect from introduction of new models despite a slight decrease in the market.

② CE (retail sales)

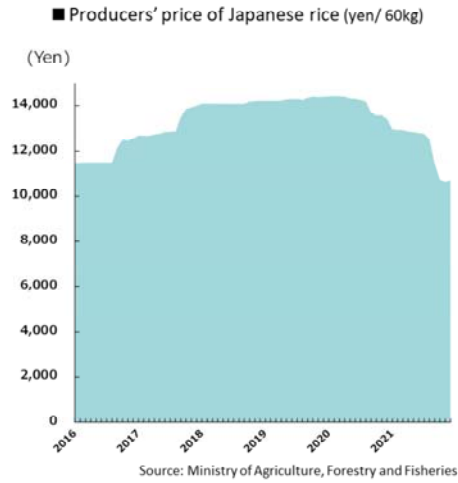
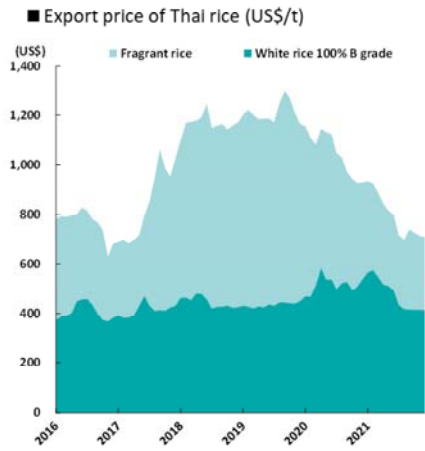
- Demand is expected to recover due to relaxation of restriction in activities caused by COVID-19, and sales are expected to be solid, mainly for rental companies.

③ Engines (wholesales)

- Demand is expected to be solid mainly for civil engineering machinery such as generators and road machinery.

## Supplementary data of Thailand, China, and Japan

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■ Budgeted government subsidies for purchasers of farm equipment in China

(Unit: billions of RMB)		2013	2014	2015	2016	2017	2018	2019	2020	2021	2021
Subsidies	1st stage	20.0	17.0	21.0	22.8	18.6	18.6	18.0	16.9	14.0	21.0
	Full year	21.8	23.8	23.8	23.7	18.6	18.6	18.0	27.4	19.0	

Forecast

## Anticipated Operating Results

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(Unit: billions of yen)	Year ending Dec. 31, 2022 (Forecast)	Year ended Dec. 31, 2021 (Actual)	Changes	
			Amount	%
<b>Revenue</b>	2,450.0	2,196.8	+253.2	+11.5
Domestic	645.0	602.8	+42.2	+7.0
Overseas	1,805.0	1,594.0	+211.0	+13.2
<b>Operating profit</b>	10.2% 250.0	11.2% 246.2	+3.8	+1.5
<b>Profit before income taxes</b>	10.3% 253.0	11.5% 252.6	+0.4	+0.2
<b>Profit attributable to owners of the parent</b>	7.3% 178.0	8.0% 175.6	+2.4	+1.3

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20

- We will have a record-high again of revenue.
- Figures of Escorts is not included because the transaction has not been closed yet.

## Anticipated Revenue by Reportable Segment

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(Unit: billions of yen)	Year ending Dec. 31, 2022 (Forecast)	Year ended Dec. 31, 2021 (Actual)	Changes	
			Amount	%
<b>Machinery</b>	2,080.0	1,864.8	+215.2	+11.5
Domestic	320.0	310.5	+9.5	+3.1
Overseas	1,760.0	1,554.3	+205.7	+13.2
<b>Water</b>	340.0	305.4	+34.6	+11.3
Domestic	295.0	265.7	+29.3	+11.0
Overseas	45.0	39.7	+5.3	+13.5
<b>Other</b>	30.0	26.6	+3.4	+12.9
Domestic	30.0	26.6	+3.4	+13.0
Overseas	0.0	0.0	-	-
<b>Total revenue</b>	<b>2,450.0</b>	<b>2,196.8</b>	<b>+253.2</b>	<b>+11.5</b>

<b>Domestic revenue</b>	<b>645.0</b>	<b>602.8</b>	<b>+42.2</b>	<b>+7.0</b>
<b>Overseas revenue</b>	<b>1,805.0</b>	<b>1,594.0</b>	<b>+211.0</b>	<b>+13.2</b>

For reference: Changes excluding the effects of fluctuation in exchange [+26.1 billion yen]  
 >Overseas revenue in Machinery is forecast to increase by 12%. Total overseas revenue is forecast to increase by 12%.

### Revenue of Machinery

- Domestic revenue is expected to increase in farm equipment, CE, and engines.
- Housing market in North America is still active supported by moving to suburbs. European market is stable and Asian market is almost flat due to a decrease of government projects. Overall, overseas revenue is expected to increase by 205.7 billion yen (+13%).

### Revenue of Water & Environment

- Domestic demand are weak because of an increase of material cost and reviewing cost of several project. But revenue is expected to increase thanks to our price hike.
- Overseas revenue is expected to increase mainly due to an increase in cracking tube.

### For reference:

Changes excluding the effects of fluctuation in exchange are +26.1 billion yen due to the yen depreciation against the US dollars, while other currencies tend to appreciate the yen.

## Anticipated Operating Profit

For Earth, For Life  


(Unit: billions of yen)	Year ending Dec. 31, 2022 (Forecast)		Year ended Dec. 31, 2021 (Actual)		Changes	
	Amount	%	Amount	%	Amount	%
<b>Operating profit</b>	250.0	10.2	246.2	11.2	+3.8	+1.5

### Factors affecting operating profit (YoY change +3.8 billion yen)

<b>1. Fluctuation in exchange rates</b>	US\$ (110→114 *1) Euro (130→128 *1) Other currencies	+25.0 billion yen -1.0 billion yen -3.0 billion yen	<b>+21.0 billion yen</b>
<b>2. Foreign exchange gain/loss</b>			<b>-8.0 billion yen</b>
<b>3. Material</b>	Machinery Water	-53.0 billion yen -16.0 billion yen	<b>-69.0 billion yen</b>
<b>4. Change in sales incentive ratio</b>	North America : -7.1 billion yen etc.		<b>-7.8 billion yen</b>
<b>5. Impact of increased or decreased sales</b>			<b>+46.0 billion yen</b>
<b>6. Sales price increase</b>			<b>+76.0 billion yen</b>
<b>7. Other</b>			<b>-54.4 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\$:108→114 Euro:129→129

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22

- Changes in sales incentive ratio (-7.8 billion yen)
  - ✓ Interest rates in the US are expected to rise moderately.
- Sales price increase (+76.0 billion yen)
  - ✓ We will raise sales price significantly to compensate an increase of material costs and logistics expenses. However, this positive effect doesn't come out for all sales this year due to back-orders from last year and it is expected to be 76.0 billion yen.
- Other (-54.4 billion yen)
  - ✓ Increase of logistics expenses -28.0 billion yen
  - ✓ Increase of R&D expenses to accelerate it based on the mid-term plan -21.0 billion yen
  - ✓ Depreciation and amortization increase -7.0 billion yen
  - ✓ Personnel expenses increase -5.0 billion yen
  - ✓ Fixed cost increase including relocation of R&D center in Japan -10.0 billion yen
  - ✓ Adverse effect of warranty provision last year +8.4 billion yen
  - ✓ Other factors such as production mix +8.2 billion yen



## Anticipated Operating Profit by Reportable Segment

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(Unit: billions of yen)		Year ending Dec. 31, 2022 (Forecast)	Year ended Dec. 31, 2021 (Actual)	Changes
<b>Machinery</b>	Revenue	2,080.0	1,864.8	+215.2
	Operating profit	289.0	250.4	+38.6
	OP margin	13.9%	13.4%	+0.5P
<b>Water</b>	Revenue	340.0	305.4	+34.6
	Operating profit	21.0	22.3	-1.3
	OP margin	6.2%	7.3%	-1.1P
<b>Other</b>	Revenue	30.0	26.6	+3.4
	Operating profit	4.0	3.7	+0.3
	OP margin	13.3%	13.9%	-0.6P
<b>Adjustment</b>	Operating profit	-64.0	-30.2	-33.8
<b>Total</b>	Revenue	2,450.0	2,196.8	+253.2
	Operating profit	250.0	246.2	+3.8
	OP margin	10.2%	11.2%	-1.0P

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23

- Adjustment increases due to foreign exchange loss and an increase of R&D expenses.

## CAPEX, Depreciation, and R&D Expenses

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

(Unit: billions of yen)	Year ending Dec. 31, 2022	Year ended Dec. 31, 2021	Year ended Dec. 31, 2020
	(Forecast)	(Actual)	(Actual)
Capital expenditures *	190.0	121.4	87.2
Depreciation and amortization *	62.6	55.6	53.2
R&D expenses	86.3	65.3	55.3

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

- Capital expenditure is expected to be up to 190.0 billion yen
  - New R&D site in Sakai, Japan and promote BCP and DX investment
  - Overseas, we plan investments such as CE manufacturing site in US, which have already been disclosed.
- Depreciation and amortization are expected to be 62.6 billion yen, and R&D expenses are expected to be 86.3 billion yen.
- For the realization of GMB2030, we construct the robust foundation in the area of R&D and business for further business expansion after 2025 by proactive upfront investment.

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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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