

For Earth, For Life
Kubota

A photograph of three children running joyfully through a lush green field of tall grass. The child in the foreground is wearing a teal shirt, the middle child is in a green jacket, and the child on the right is in a yellow sweater. They are all smiling and have their arms outstretched. The background shows a rolling green hill under a blue sky with light clouds.

ON YOUR SIDE

Financial Results for the year ended December 31, 2022

Masato Yoshikawa

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

Kubota Corporation

February 15, 2023



Financial Summary

For Earth, For Life


(Unit: billions of yen)	Year ended Dec. 31, 2022	Year ended Dec. 31, 2021	Changes	
			Amount	%
Revenue	2,678.8	2,196.8	+482.0	+21.9
Domestic	602.4	602.8	-0.4	-0.1
Overseas	2,076.4	1,594.0	+482.4	+30.3
Operating profit	8.2% 218.9	11.1% 244.6	-25.6	-10.5
Profit before income taxes	8.7% 233.9	11.4% 250.9	-17.0	-6.8
Profit attributable to owners of the parent	5.8% 156.2	8.0% 174.8	-18.6	-10.6

Variance from previous forecast (Nov. 2022)	
Amount	%
+78.8	+3.0
-1.6	-0.3
+80.4	+4.0
-21.1	-8.8
-20.1	-7.9
-16.8	-9.7

	Year ended Dec. 31, 2022	Year ended Dec. 31, 2021	Changes
ROE	8.8%	11.1%	-2.3 p

Revenue by Reportable Segment

(Unit: billions of yen)	Year ended Dec. 31, 2022	Year ended Dec. 31, 2021	Changes	
			Amount	%
Farm & Industrial Machinery (Machinery)	2,328.0	1,864.8	+463.2	+24.8
Domestic	302.6	310.5	-7.9	-2.5
Overseas	2,025.4	1,554.3	+471.1	+30.3
Water & Environment (Water)	327.6	305.4	+22.2	+7.3
Domestic	276.6	265.7	+10.9	+4.1
Overseas	51.0	39.7	+11.3	+28.6
Other	23.2	26.6	-3.4	-12.8
Domestic	23.2	26.6	-3.4	-12.8
Overseas	0.0	0.0	-0.0	-18.8
Total revenue	2,678.8	2,196.8	+482.0	+21.9

Domestic revenue	602.4	602.8	-0.4	-0.1
Overseas revenue	2,076.4	1,594.0	+482.4	+30.3

Excluding the effects of fluctuation in exchange [+238.0 billion yen], the increase rate in total overseas revenue is 15%.

Revenue by Reportable Segment (Year-on-Year)



Machinery: +463.2 billion yen (Domestic: -7.9, Overseas: +471.1)

Japan

Sales of farm equipment decreased due to termination of subsidies for business continuation of farmers and sluggish rice prices.

North America

Shipment of tractors is progressing in order to replenish dealer inventories while residential market shows decline. Sales of CE and engines increased thanks to demand for infrastructure development by the government.

Europe

Sales of CE and engines increased, supported by demand for construction. Sales of tractors struggled because of inventory shortage in the 1st half and a decline in investment appetite caused by inflation and a rise in interest rates.

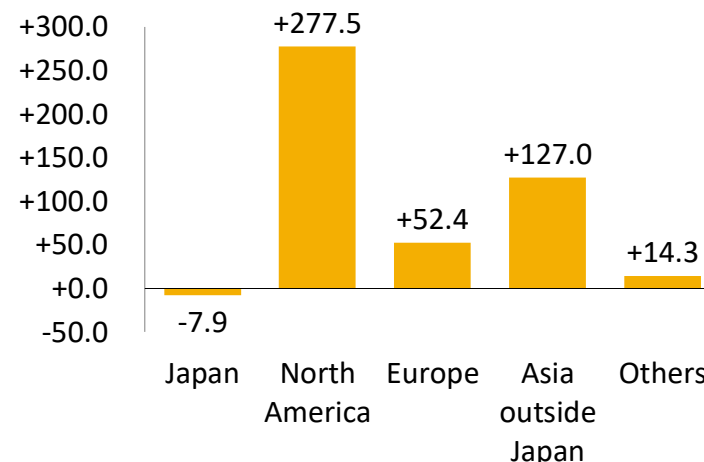
Asia outside Japan

In Thailand, sales for rice farming decreased due to adverse reaction to the government project in the prior year while sales for dryland farming were solid. In India, sales for dryland farming were strong due to a good yield while sales for rice farming decreased mainly due to floods. Sales in China decreased due to the impact of lockdown in the 1st half although there was rush demand before the new emission regulation.

Others

Sales were firm mainly in Australia, where demand is solid.

■ Changes in revenue by region (Billions of yen)



※Escorts is consolidated from the 2Q of FY2022

Revenue by Reportable Segment (Year-on-Year)



Water: +22.2 billion yen (Domestic: +10.9, Overseas: +11.3)

Pipe system

With respect to ductile iron pipes business, construction works have a tendency to delay due to staff shortage at construction sites. Sales of plastic pipes to apartment buildings were solid.

Materials

Sales of reformer and cracking tubes for overseas projects were stable.

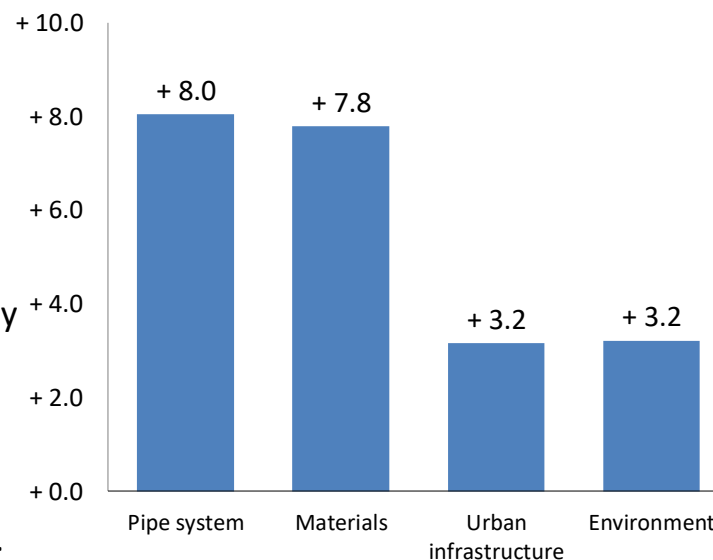
Urban infrastructure

Sales of air-conditioning equipment increased due to the trend to reshore factories to Japan by review of supply chain.

Environment

Sales of water supply and sewage facilities increased, such as operating and maintenance services and public private partnership projects.

■ Changes in revenue by business (Billions of yen)



Other: -3.4 billion yen (Domestic: -3.4, Overseas: -0.0)

Other is mainly comprised of a variety of other services such as logistics.

Operating Profit

For Earth, For Life


(Unit: billions of yen)	Year ended Dec. 31, 2022		Year ended Dec. 31, 2021		Changes	
	Amount	%	Amount	%	Amount	%
Operating profit	218.9	8.2	244.6	11.1	-25.6	-10.5

Factors affecting operating profit (YoY change -25.6 billion yen)

1. Fluctuation in exchange rates	US\$ (110→131 *1) Euro (130→138 *1) Other currencies	+47.0 billion yen +4.0 billion yen +13.0 billion yen	}	+64.0 billion yen
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2. Foreign exchange gain/loss				+4.8 billion yen
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3. Material	Machinery Water	-72.8 billion yen -16.6 billion yen	}	-89.4 billion yen
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4. Change in sales incentive ratio	North America : -27.4 billion yen etc.			-26.1 billion yen
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5. Impact of increased or decreased sales				+15.4 billion yen
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6. Sales price increase				+110.8 billion yen
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7. Other	Logistics expenses ▲32.5 billion yen, R&D expenses ▲21.6 billion yen, Depreciation and amortization ▲9.1 billion yen, etc.			-105.1 billion yen
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*1: Exchange rates, which affected profit of exported products from Japan in consideration of the period of transportation and inventory, were as follows: US\$:108→122 Euro:129→134

Operating Profit by Reportable Segment

For Earth, For Life


(Unit: billions of yen)		Year ended Dec. 31, 2022	Year ended Dec. 31, 2021	Changes
Machinery	Revenue	2,328.0	1,864.8	+463.2
	Operating profit	237.1	248.8	-11.7
	OP margin	10.2%	13.3%	-3.2P
Water	Revenue	327.6	305.4	+22.2
	Operating profit	17.3	22.3	-5.0
	OP margin	5.3%	7.3%	-2.0P
Other	Revenue	23.2	26.6	-3.4
	Operating profit	3.1	3.7	-0.6
	OP margin	13.3%	13.9%	-0.6P
Adjustment	Operating profit	-38.5	-30.2	-8.3
Total	Revenue	2,678.8	2,196.8	+482.0
	Operating profit	218.9	244.6	-25.6
	OP margin	8.2%	11.1%	-3.0P

Shareholder Return History

For Earth, For Life


(Unit: billions of yen)	Year ended Dec. 31, 2018	Year ended Dec. 31, 2019	Year ended Dec. 31, 2020	Year ended Dec. 31, 2021	Year ended Dec. 31, 2022	Changes	Total of last 5 years
	IFRS						
Profit attributable to owners of the parent (Per share)	138.6 (112.44yen)	149.1 (121.59yen)	128.5 (105.85yen)	174.8 (144.80yen)	156.2 (130.82yen)	- 18.6 (- 13.98yen)	747.1
Total amount of dividend paid (Dividend per share)	41.9 (34yen)	44.1 (36yen)	43.6 (36yen)	50.6 (42yen)	52.5 (44yen)	+ 1.9 (+ 2yen)	232.7
Retirement of treasury shares (Number of shares retired)	2.9 (1.5 mil. shares)	19.6 (12.0 mil. shares)	19.9 (12.0 mil. shares)	20.2 (8.3 mil. shares)	20.0 (9.2 mil. shares)	- 0.2 (+ 0.9mil. shares)	82.5
Total shareholder return	44.8	63.6	63.5	70.8	72.5	+ 1.7	315.2

Payout ratio	30%	30%	34%	29%	34%	+ 5P	31%
Shareholder return ratio (Dividends and retirement of treasury)	32%	43%	49%	41%	46%	+ 6P	42%

Mid-term target for shareholder return

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

Statement of Financial Position

For Earth, For Life


(Unit: billions of yen)		As of Dec. 31, 2022	As of Dec. 31, 2021	Changes	Changes excl. the effects of fluctuation in exchange rates
Cash and cash equivalents		225.8	258.6	- 32.8	
Trade receivables		779.4	574.3	+ 205.0	+ 148.6
Finance receivables		1,684.5	1,410.5	+ 274.0	+ 68.6
Inventories		644.5	510.1	+ 134.4	+ 77.0
Other		1,397.1	1,020.1	+ 377.0	
Total assets		4,731.3	3,773.7	+ 957.6	
Bonds and borrowings		1,611.1	1,094.5	+ 516.6	+ 365.4
Trade payables		454.8	392.3	+ 62.4	
Other		588.1	501.7	+ 86.4	
Total liabilities		2,653.9	1,988.5	+ 665.4	
Equity attributable to owners of the parent		1,883.3	1,678.0	+ 205.3	
Noncontrolling interests		194.0	107.1	+ 86.9	
Total equity		2,077.3	1,785.1	+ 292.2	
Total liabilities and equity		4,731.3	3,773.7	+ 957.6	
Net debt equity ratio		0.74	0.50	+ 0.24	
Net debt equity ratio (excl. financial services)		-0.03	-0.21	+ 0.19	

Statement of Cash Flows

For Earth, For Life
Kubota

(Unit: billions of yen)	Year ended Dec. 31, 2022	Year ended Dec. 31, 2021	Changes
Net cash (used in) provided by operating activities	-7.7	92.5	-100.2
Profit for the year and Depreciation	261.6	260.9	+0.7
Increase in finance receivables	-77.2	-180.8	+103.6
Other	-192.1	12.4	-204.5
Net cash used in investing activities	-318.5	-127.4	-191.1
Payments for acquisition of property, plant, and equipment and intangible assets	-169.7	-125.7	-43.9
Other	-148.8	-1.6	-147.2
Net cash provided by financing activities	282.6	60.6	+222.0
Effect of exchange rate changes on cash and cash equivalents	10.8	10.0	+0.8
Net increase (decrease) in cash and cash equivalents	-32.8	35.7	-68.6
Free cash flow	-177.3	-33.2	-144.1

Financial Services <Reference (unaudited)>

Statement of Financial Position

(Unit: billions of yen)	As of Dec. 31, 2022		As of Dec. 31, 2021	
	Financial services	Equipment operations	Financial services	Equipment operations
Total assets	1,954.9	2,946.2	1,636.6	2,404.0
Cash and cash equivalents	23.1	202.7	30.4	228.3
Trade receivables	29.3	752.1	30.7	544.6
Finance receivables	1,684.5	-	1,410.5	-
Inventories	-	644.5	-	510.1
Property, plant, and equipment	11.1	624.6	5.7	490.7
Other	206.9	722.3	159.4	630.4
Total liabilities	1,639.5	1,166.8	1,384.0	855.2
Total interest-bearing liabilities	1,544.8	157.1	1,301.6	-
Other	94.6	1,009.7	82.4	855.2
Total equity	315.4	1,779.4	252.6	1,548.7

Statement of Profit or Loss (Financial Services)

(Unit: billions of yen)	Year ended Dec. 31, 2022	Year ended Dec. 31, 2021	Changes	
	Amount	Amount	Amount	%
Revenue	115.1	89.8	+25.3	+28.1
Operating profit	43.4% 49.9	48.5% 43.5	+6.4	+14.7
Profit attributable to owners of the parent	25.1% 28.9	29.8% 26.8	+2.1	+7.8

Forecast

Financial Forecast for the Year Ending December 2023

(Unit: billions of yen)	Year ending Dec. 31, 2023 (Forecast)	Year ended Dec. 31, 2022 (Actual)	Changes	
			Amount	%
Revenue	2,900.0	2,678.8	+221.2	+8.3
Domestic	638.0	602.4	+35.6	+5.9
Overseas	2,262.0	2,076.4	+185.6	+8.9
Operating profit	9.3% 270.0	8.2% 218.9	+51.1	+23.3
Profit before income taxes	9.6% 278.0	8.7% 233.9	+44.1	+18.8
Profit attributable to owners of the parent	6.4% 186.0	5.8% 156.2	+29.8	+19.1

Excluding the effects of fluctuation in exchange [-93.0 billion yen], the increase rate in total overseas revenue is 13%.

Revenue by Reportable Segment (Year-on-Year)



Machinery: +182.0 billion yen (Domestic: +4.4, Overseas: +177.6)

Japan

Sales of farm equipment is expected to continue to face a difficult situation due to sluggish rice prices and rising production costs.

North America

Regard with sales of tractors, residential market is expected to shrink along with economic slowdown. Sales of CE are expected to be strong thanks to back-order of housing construction and demand for infrastructure development by the government.

Sales of engines are expected to be solid in the same as construction & industrial machinery market.

Europe

Sales of CE are expected to be strong thanks to demand for public construction by each country. Sales of engines are also solid in the same as construction & industrial machinery market. Sales of tractors are expected to increase owing to demand due to supply shortage in the prior year although the market is weak with concerns about the economic slowdown.

Asia outside Japan

In Thailand, sales of rice farming is on a recovery track along with resolution of adverse reaction to government bid in the prior year. Sales of dryland farming are expected to be solid due to stable crop prices.

In India, a good yield is expected led by the sowing and planning in good condition in the prior year. Market also has shown strong start.

Demand in China is expected to be sluggish due to adverse reaction to rush demand before the new emission regulation in the prior year.

Others

In Australia, the residential market is weak a bit along with a rise in interest rates.

Revenue by Reportable Segment (Year-on-Year)



Water: +43.4 billion yen (Domestic: +35.4, Overseas: +8.0)

Pipe system

Demand for steel pipes has a tendency to shrink slightly mainly due to a shift to alternative tubes caused by price increase. Sales of plastic pipes are expected to be solid for non-residential market, such as infrastructure.

Materials

Sales of reformer and cracking tubes are expected to be maintained at the same level of the prior year due to large projects despite declining investment among overseas factories.

Urban infrastructure

Domestic sales of air-conditioning equipment are expected to be steady although construction has a tendency to delay.

Environment

Market is almost same level as the prior year. Sales activities for O&M and PPP projects will be strengthened continuously.



Other: -4.2 billion yen (Domestic: -4.2, Overseas: -0.0)

Other is mainly comprised of a variety of other services such as logistics.

Operating Profit Forecast

(Unit: billions of yen)	Year ending Dec. 31, 2023 (Forecast)		Year ended Dec. 31, 2022 (Actual)		Changes	
	Amount	%	Amount	%	Amount	%
Operating profit	270.0	9.3	218.9	8.2	+51.1	+23.3

Factors affecting operating profit (YoY change +51.1 billion yen)

1. Fluctuation in exchange rates	US\$ (131→125 *1) Euro (138→135 *1) Other currencies	+27.0 billion yen +2.0 billion yen +0.0 billion yen	+29.0 billion yen
2. Foreign exchange gain/loss			-16.4 billion yen
3. Material	Machinery Water	-56.5 billion yen -4.7 billion yen	-61.2 billion yen
4. Change in sales incentive ratio	North America : -14.2 billion yen etc.		-15.9 billion yen
5. Impact of increased or decreased sales			+37.9 billion yen
6. Sales price increase			+134.1 billion yen
7. Other	Logistics expenses +10.9 billion yen, R&D expenses ▲15.5 billion yen, Depreciation and amortization ▲18.0 billion yen, etc.		-56.4 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\$:122→131 Euro:134→137

Operating Profit Forecast by Reportable Segment

For Earth, For Life


(Unit: billions of yen)		Year ending Dec. 31, 2023 (Forecast)	Year ended Dec. 31, 2022 (Actual)	Changes
Machinery	Revenue	2,510.0	2,328.0	+182.0
	Operating profit	314.0	237.1	+76.9
	OP margin	12.5%	10.2%	+2.3P
Water	Revenue	371.0	327.6	+43.4
	Operating profit	24.0	17.3	+6.8
	OP margin	6.5%	5.3%	+1.2P
Other	Revenue	19.0	23.2	-4.2
	Operating profit	3.0	3.1	-0.1
	OP margin	15.8%	13.3%	+2.5P
Adjustment	Operating profit	-71.0	-38.5	-32.5
Total	Revenue	2,900.0	2,678.8	+221.2
	Operating profit	270.0	218.9	+51.1
	OP margin	9.3%	8.2%	+1.1P

CAPEX and R&D Expenses

■ CAPEX and R&D expenses

(Unit: billions of yen)	Year ending Dec.31 2023 (Forecast)	Year ended Dec.31 2022 (Actual)	Year ended Dec.31 2021 (Actual)
Capital expenditures	180.0	169.4	121.4
R&D expenses	103.8	88.3	65.3

Lastly

Improvement of Operating Profit

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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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.
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%
2022	0-40hp	-10.8%	-18.7%	-21.4%	-26.2%	-15.8%	-17.5%	-19.3%
	40-120hp	-4.2%	-13.4%	-9.5%	-1.2%	-9.8%	-9.7%	-7.5%
	120-160hp	+10.3%	+3.9%	+4.4%	+12.5%	+6.5%	+5.7%	+7.8%

Source: AEM (Association of Equipment Manufacturers)

■ YoY growth rate of retail sales units in the mini-excavator market (0-6t)

		Jan.-Mar.	Apr.-Jun.	Jul.-Sept.	Oct.-Dec.	Jan.-Jun.	Jan.-Sept.	Jan.-Dec.
2021		+34.7%	+27.4%	+4.6%	+1.0%	+30.3%	+20.5%	+14.5%
2022		+10.2%	-7.7%	+7.6%	-3.1%	-0.3%	+2.3%	+0.8%

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.
2021		+46.5%	+32.3%	+8.5%	-7.1%	+37.9%	+26.5%	+15.2%
2022		-1.7%	-9.1%	-1.1%	+12.7%	-6.0%	-4.4%	+0.2%

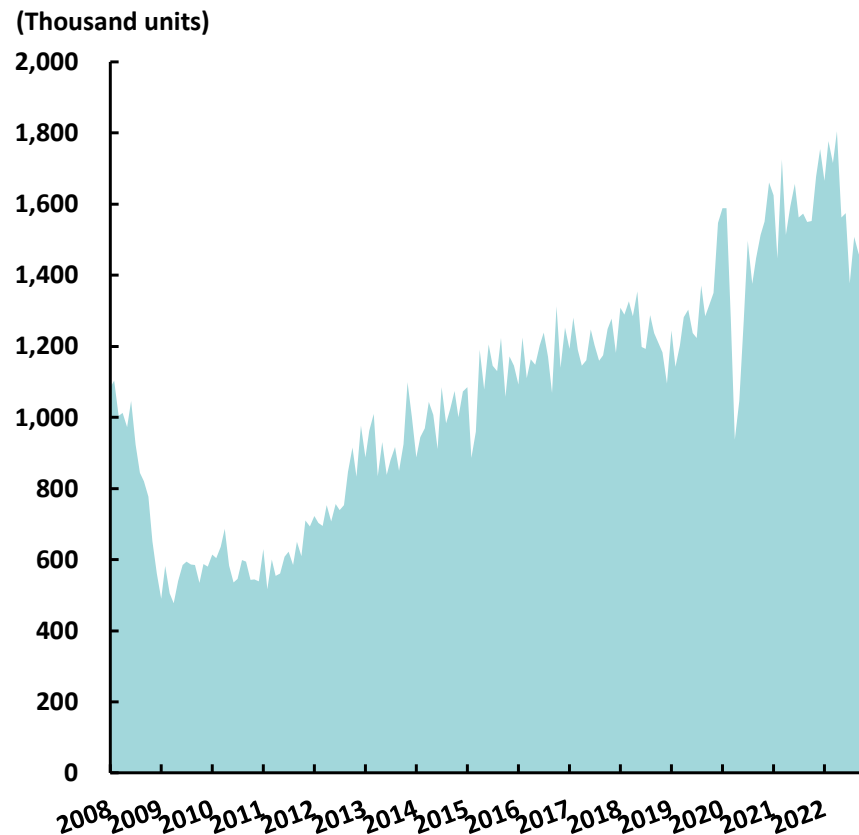
Source: AEM (Association of Equipment Manufacturers)

■ 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.
2021		+14.8%	+27.1%	-2.6%	-21.6%	+21.1%	+12.3%	-0.8%
2022		-20.3%	-18.9%	-15.7%	-17.4%	-19.6%	-18.3%	-18.0%

Source: AEM (Association of Equipment Manufacturers)

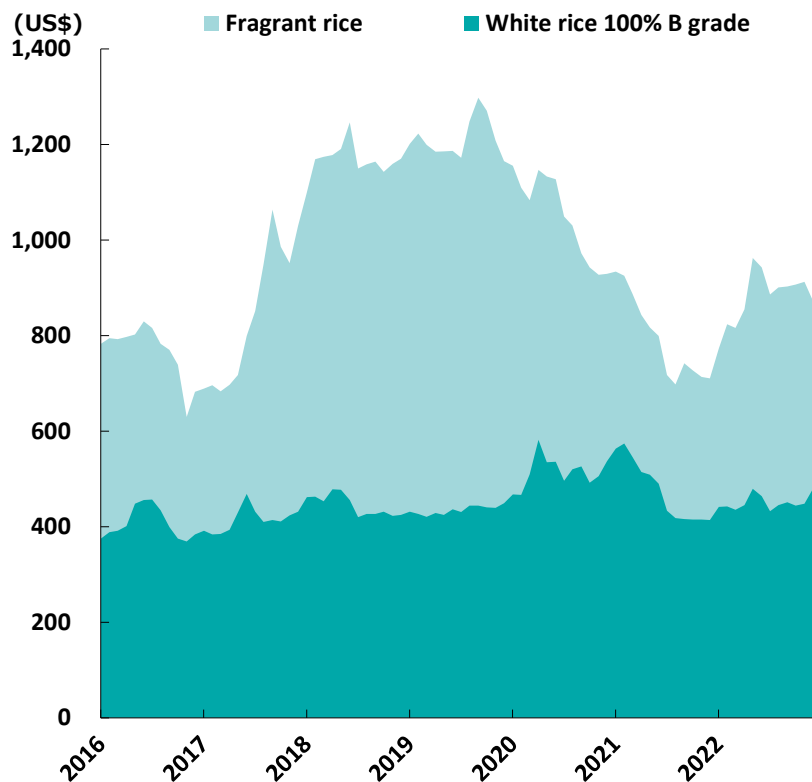
■ New privately owned housing units started (Seasonally adjusted annual rate)



Source: U.S. Census Bureau

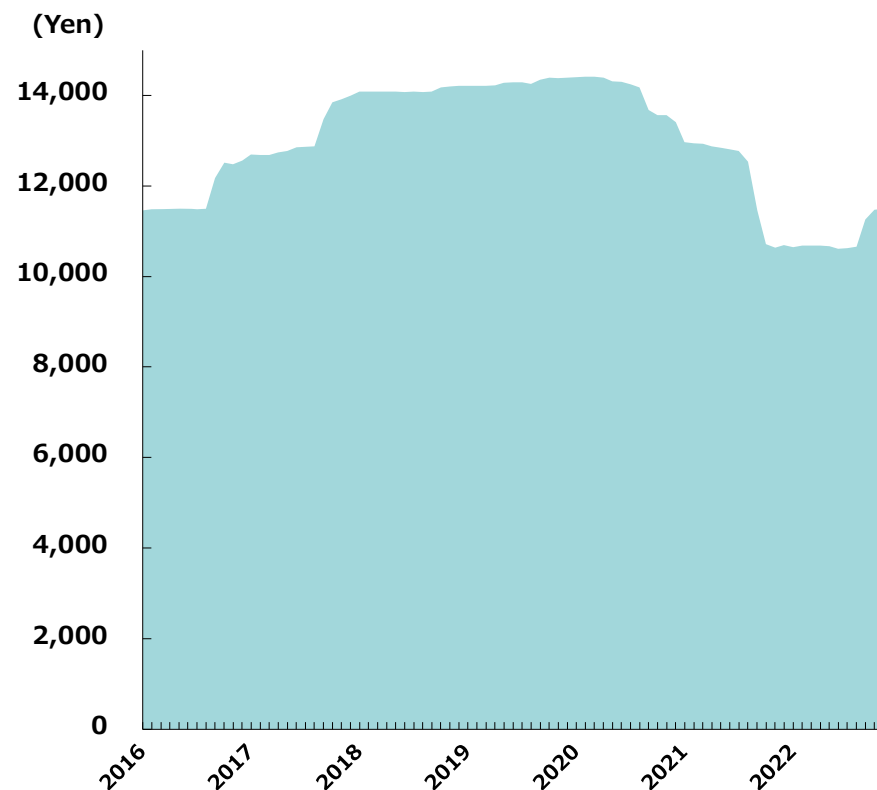
Supplementary data of Thailand, China, and Japan

■ 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 in China

(Unit: billions of RMB)		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Subsidies	1st stage	17.0	21.0	22.8	18.6	18.6	18.0	16.9	14.0	14.5	14.5
	Full year	23.8	23.8	23.7	18.6	18.6	18.0	27.4	19.0	21.2	23.5