Kubota Corporation

Result Briefing for the 1st Half of FY2022

August 4, 2022

Event Summary

[Company Name]	Kubota Corporation
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[Event Language]	JPN
[Event Type]	Earnings Announcement
[Event Name]	Result Briefing for the 1st Half of FY2022
[Fiscal Period]	FY2022 Q2
[Date]	August 4, 2022
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[Venue Size]	
[Participants]	
[Number of Speakers]	6

	Masato Yoshikawa	Executive Vice President and Representative Director, GM of Planning and Control Headquarters, GM of Global ICT Headquarters
	Kazushi Ito	Senior Executive Officer, Deputy GM of Planning and Control Headquarters
	Junji Ota	Senior Executive Officer, GM of Farm and Industrial Machinery Strategy and Operations Department
	Hideo Takigawa	Executive Officer, GM of Corporate Planning and Control Department, GM of Global Management Department
	Wataru Kondo	Executive Officer, GM of Water and Environment Infrastructure Management Department, GM of Water and

		Environmental Infrastructure Compliance Department
	Issei Matsui	IR Section Manager of Corporate Planning and Control Department
[Analyst Names]*	Tomohiko Sano	JPMorgan Securities Japan Co., Ltd.
	Sho Fukuhara	Jefferies Japan Limited
	Hikaru Mizuno	UBS Securities Japan Co., Ltd.
	Kentaro Maekawa	Nomura Securities Co., Ltd.
	Yuichiro Isayama	Goldman Sachs Japan Co., Ltd.

*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A.

Presentation

Matsui: Now it's time. We would now like to present our financial results for the first half of FY2022. I am Matsui, IR Section Manager of Corporate Planning and Control Department, and I will be the moderator today.

As for today's schedule, Mr. Yoshikawa, GM of Planning and Control Headquarters, will first give an approximately 30-minute explanation of the financial results. A question-and-answer session will follow. The entire meeting is expected to last approximately one hour.

Please also refer to the presentation materials for today's financial results meeting, which are available on our website for investors.

Let me now introduce the attendees on the Kubota side. This is Mr. Yoshikawa, Executive Vice President and Representative Director, GM of Planning and Control Headquarters.

Yoshikawa: My name is Yoshikawa. Thank you for your cooperation.

Matsui: This is Mr. Ito, Senior Executive Officer, Deputy GM of Planning and Control Headquarters.

Ito: My name is Ito. Thank you for your cooperation.

Matsui: This is Mr. Ota, Senior Executive Officer, GM of Farm and Industrial Machinery Strategy and Operations Department.

Ota: My name is Ota. Thank you for your cooperation.

Matsui: This is Mr. Takigawa, Executive Officer, GM of Corporate Planning and Control Department.

Takigawa: My name is Takigawa. Thank you for your cooperation.

Matsui: This is Mr. Kondo, Executive Officer, GM of Water and Environment Infrastructure Management Department.

Kondo: My name is Kondo. Thank you for your cooperation.

Matsui: Now, Mr. Yoshikawa will explain the consolidated financial results for the first half of FY2022. Please have your materials ready for the financial results presentation.

Financial Summary

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(Unit: billions of yen)	Six months ended June 30, 2022	Six months ended June 30, 2021	Changes		Variance from previous forecast (Feb. 2022)	
			Amount	%	Amount	%
Revenue	1,260.5	1,101.4	+159.1	+14.4	+40.5	+3.3
Domestic	299.1	302.5	-3.5	-1.1	-20.9	-6.5
Overseas	961.4	798.9	+162.5	+20.3	+61.4	+6.8
Operating profit	9.6% 121.0	13.4% 147.5	-26.5	-18.0	+1.0	+0.8
Profit before income taxes	10.4% 131.6	13.6% 149.4	-17.8	-11.9	+10.6	+8.7
Profit attributable to owners of the parent	7.2% 91.2	9.3% 103.0	-11.7	-11.4	+6.2	+7.3

KUBOTA Corporation (Financial results for the six months ended June 30, 2022)

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Yoshikawa: Good morning. I am Yoshikawa, GM of Planning and Control Headquarters. I would now like to explain our consolidated financial results for the first half of FY2022 and our forecast for the full year.

Please see page two.

Net sales increased 14.4% YoY to JPY1,260.5 billion, operating income decreased 18% to JPY121 billion, and net income decreased 11.4% to JPY91.2 billion.

On the other hand, compared to the most recent forecast, net sales, operating income, and net income have all moved up. The acquisition of Escorts Kubota Limited in India has also contributed to this result.

Revenue by Reportable Segment

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(Unit: billions of yen)		Six months ended June 30, 2022	Six months ended June 30, 2021	Changes	
				Amount	%
Farm & Industrial Machinery (Machinery)		1,096.2	941.3	+154.9	+16.5
	Domestic	155.6	160.4	-4.8	-3.0
	Overseas	940.6	780.9	+159.7	+20.5
Water & Environment (Water)		152.7	146.6	+6.2	+4.2
	Domestic	131.9	128.6	+3.4	+2.6
	Overseas	20.8	18.0	+2.8	+15.6
Other		11.6	13.6	-2.0	-14.7
	Domestic	11.6	13.6	-2.0	-14.7
	Overseas	0.0	0.0	-0.0	-8.7
Total revenue		1,260.5	1,101.4	+159.1	+14.4

Domestic revenue	299.1	302.5	-3.5	-1.1
Overseas revenue	961.4	798.9	+162.5	+20.3

Excluding the effects of fluctuation in exchange [+80.0 billion yen], the increase rate in total overseas revenue is 10%.

KUBOTA Corporation (Financial results for the six months ended June 30, 2022)

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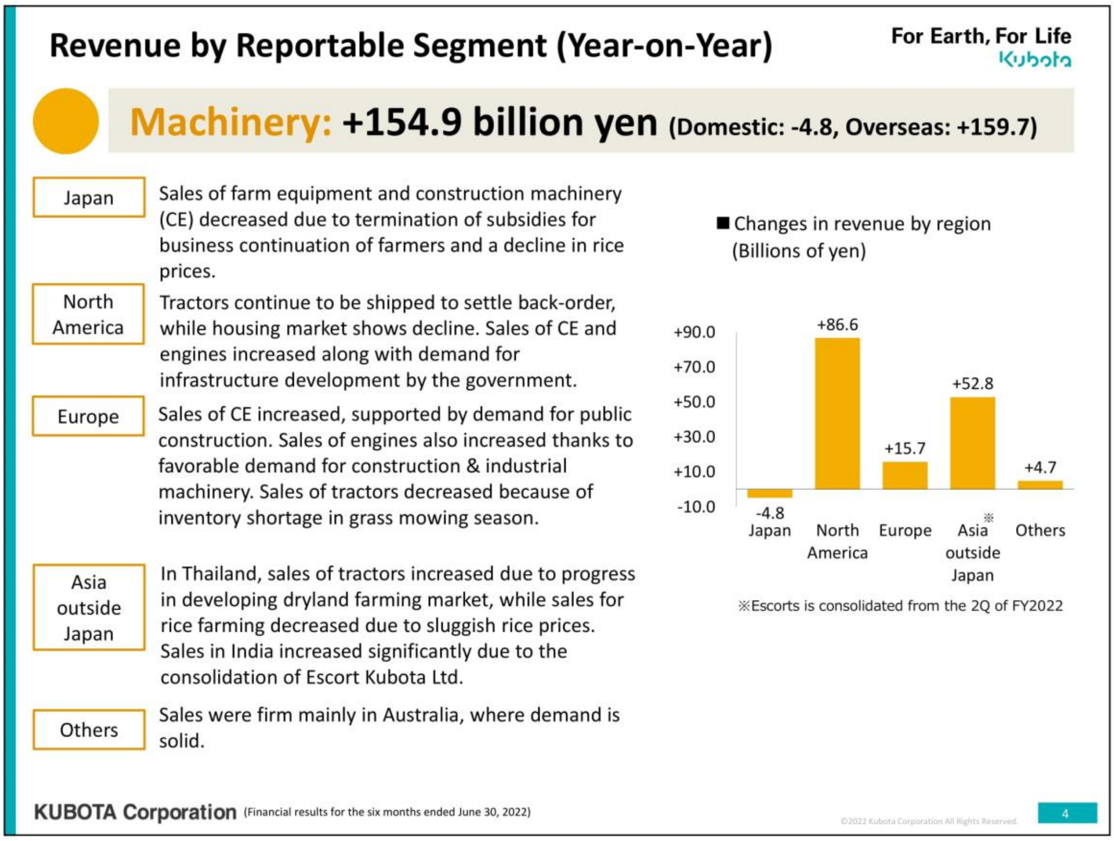
Please see page three. Sales by segment are as shown.

Machinery and water and environment increased, while other decreased.

The increase in overseas revenue includes about JPY80 billion in foreign exchange effects.

Excluding these effects, the real increase in overseas sales is about 10%.



Please see page four. We will look at the machinery business by destination.

Domestic sales were JPY4.8 billion, down 3%. Sales of agricultural machinery decreased due to the termination of subsidies for continuation of business operations and the decline in rice prices. Sales of construction machinery and engines remained steady due to progress in infrastructure construction.

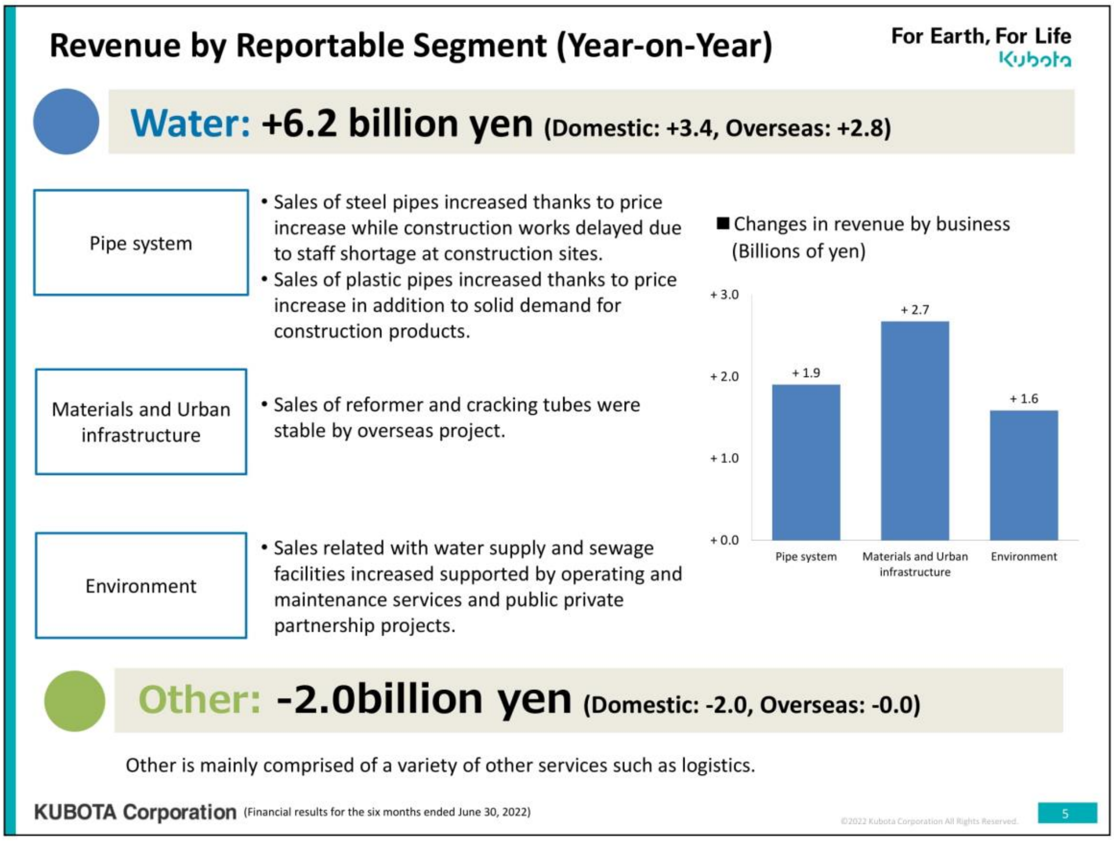
Overseas increased JPY159.7 billion, or 20%. JPY86.6 billion in North America, an increase of 22%. The trend of suburban migration continues, but retail sales of tractors are declining as the special demand caused by the coronavirus disaster appears to have subsided. Retail sales of construction equipment and engines remained strong on the back of robust infrastructure development.

Due to port congestion and production delays by foreign suppliers, dealer inventory fulfillment has been slower than expected. The dealer inventory level in the US at the end of June 2022 was 2.1 months, which is still low. We have heard that port congestion is currently improving.

For Europe, sales increased by JPY15.7 billion, or 11%. Construction equipment sales remained strong, supported by public works and infrastructure projects. Engine sales also remained stable as the construction and industrial machinery markets continued to be strong. On the other hand, sales of tractors have decreased due to insufficient sales during the season due to a shortage of lawnmower inventory produced in North America.

Asia increased JPY52.8 billion, or 25%. In Thailand, sales for rice cultivation decreased due to the low rice price, but overall sales increased due to the development of the field crop market. In addition, since Escorts Limited in India were included in the scope of consolidation from the second quarter, sales in India have increased significantly.

Others increased by JPY4.7 billion, mainly in Australia, where the housing construction market is firm.



Please see page five.

Water and environment increased by JPY6.2 billion.

In the pipe system business, sales of steel pipes increased due to the effect of price hikes, although construction tends to be delayed due to labor shortages at piping contractors. Sales of plastic pipes increased due to steady growth in construction applications and the effect of price hikes.

In the materials and urban infrastructure segments, overseas projects for reactive pipes remained strong.

In the environmental sector, PPP projects, which are public works projects through public-private partnerships, have been performing well.

Other sales decreased by JPY2 billion. Other consists mainly of various internal service businesses, such as logistics.

Operating Profit

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(Unit: billions of yen)	Six months ended June 30, 2022		Six months ended June 30, 2021		Changes	
	Amount	%	Amount	%	Amount	%
Operating profit	121.0	9.6	147.5	13.4	-26.5	-18.0

Factors affecting operating profit (YoY change -26.5 billion yen)

1.Fluctuation in exchange rates	US$ (108→123 *1) Euro (130→134 *1) Other currencies	+14.0 billion yen +2.0 billion yen +5.0 billion yen	**+21.0** billion yen
2.Foreign exchange gain/loss			**+14.3** billion yen
3.Material	Machinery Water	-33.3 billion yen -7.9 billion yen	**-41.2** billion yen
4.Change in sales incentive ratio	North America : -10.0 billion yen etc.		**-9.1** billion yen
5.Impact of increased or decreased sales			**+7.1** billion yen
6.Sales price increase			**+37.2** billion yen
7.Other	Logistics expenses ▲17.8 billion yen, R&D expenses ▲11.7 billion yen, Depreciation and amortization ▲4.3 billion yen, etc		**-55.8** 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$:105→114 Euro:126→130

KUBOTA Corporation (Financial results for the six months ended June 30, 2022)

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Please see page six. I will explain the contents of operating income.

Foreign exchange fluctuations contributed JPY21 billion and foreign exchange gains and losses contributed JPY14.3 billion. On the other hand, raw material prices were a negative factor of JPY41.2 billion due to price hikes in steel, vinyl chloride, and other materials.

The change in the incentive rate was due to higher interest rates in the US, which led to higher funding rates in the retail and finance businesses, resulting in a JPY9.1 billion decrease in profit. The increase in sales was JPY7.1 billion, while product price hikes were a factor of JPY37.2 billion, mainly due to the effect of price hikes in North America.

The remaining JPY55.8 billion of the decrease was attributed to other factors.

The breakdown of other expenses is JPY17.8 billion for distribution, JPY11.7 billion for R&D, JPY4.3 billion for increased depreciation due to capital investment, JPY11.4 billion for increased personnel expenses, JPY11.1 billion for increased selling, fixed and other expenses, and JPY500 million for other items, including sales mix and the profit from Escorts Kubota Limited.

Operating Profit by Reportable Segment

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(Unit: billions of yen)		Six months ended June 30, 2022	Six months ended June 30, 2021	Changes
Machinery	Revenue	1,096.2	941.3	+154.9
	Operating profit	117.3	143.9	-26.6
	OP margin	10.7%	15.3%	-4.6P
Water	Revenue	152.7	146.6	+6.2
	Operating profit	9.7	13.2	-3.5
	OP margin	6.3%	9.0%	-2.7P
Other	Revenue	11.6	13.6	-2.0
	Operating profit	1.7	1.6	+0.1
	OP margin	15.0%	12.0%	+3.0P
Adjustment	Operating profit	-7.7	-11.2	+3.5
Total	Revenue	1,260.5	1,101.4	+159.1
	Operating profit	121.0	147.5	-26.5
	OP margin	9.6%	13.4%	-3.8P

KUBOTA Corporation (Financial results for the six months ended June 30, 2022)

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Operating income by business segment.

Operating income for machinery decreased by JPY22.6 billion, down 19% from the previous year.

There was a time lag in the effect of the price increase, and the deterioration in distribution costs and raw material prices preceded the price increase, resulting in a decrease in profit.

Water and environment saw a JPY3.5 billion decrease in profit, or 27%.

The cost impact of raw material prices was also a factor in the decrease in profit.

Profit Before Income Taxes/ Profit for the Period

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(Unit: billions of yen)	Six months ended June 30, 2022		Six months ended June 30, 2021		Changes	
	Amount	%	Amount	%	Amount	%
Profit before income taxes	131.6	10.4	149.4	13.6	-17.8	-11.9
Profit for the period	102.0	8.1	113.1	10.3	-11.2	-9.9
Profit attributable to:						
Owners of the parent	91.2	7.2	103.0	9.3	-11.7	-11.4
Noncontrolling interests	10.7	0.9	10.2	1.0	+0.5	+5.2

		Year ending Dec. 31, 2022	Year ended Dec. 31, 2021	Changes
Dividend per common share	Interim	22 yen	21 yen	+1 yen
	Year-end	(Undecided)	21 yen	-
	Total	(Undecided)	42 yen	-

〈Basic policy for the return of profit〉
Shareholder return ratio: set the mid-term target of over 40%, and aim at 50%

- A program of purchasing own share in 2022 has been completed for 20.0 billion yen, which is the maximum amount of the program, in July.

KUBOTA Corporation (Financial results for the six months ended June 30, 2022)

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Please see page eight.

Profit before income taxes decreased by JPY17.8 billion and net income decreased by JPY11.2 billion.

The interim dividend was increased by JPY1 from the previous year to JPY22.

Statement of Financial Position

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(Unit: billions of yen)	As of June 30, 2022	As of Dec. 31, 2021	Changes	Changes excl. the effects of fluctuation in exchange rates
Cash and cash equivalents	215.3	258.6	- 43.3	
Trade receivables	690.5	574.3	+ 116.1	+ 56.4
Finance receivables	1,698.4	1,410.4	+ 288.1	+ 33.7
Inventories	632.3	510.1	+ 122.2	+ 50.7
Other	1,317.5	1,020.1	+ 297.4	
Total assets	4,554.0	3,773.5	+ 780.5	
Bonds and borrowings	1,510.7	1,094.5	+ 416.2	+ 235.3
Trade payables	393.3	392.3	+ 1.0	
Other	544.0	501.7	+ 42.3	
Total liabilities	2,448.1	1,988.5	+ 459.5	
Equity attributable to owners of the parent	1,909.6	1,678.0	+ 231.6	
Noncontrolling interests	196.4	107.0	+ 89.3	
Total equity	2,105.9	1,785.0	+ 321.0	
Total liabilities and equity	4,554.0	3,773.5	+ 780.5	

Net debt equity ratio	0.68	0.50	+ 0.18
Net debt equity ratio (excl. financial services)	-0.13	-0.21	+ 0.08

KUBOTA Corporation (Financial results for the six months ended June 30, 2022)

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Please see page nine. Statement of financial position.

Total assets increased by JPY780.5 billion from the end of the previous period. All accounts have increased due to the consolidation of Escorts Limited.

We will look at the main accounts.

Trade receivables increased by JPY56.4 billion in real terms excluding the effect of exchange rates. The increase was due to the progress of shipments in North America and Thailand. Financial claims increased by JPY33.7 billion in real terms. Although retail sales in North America are down from the previous year, the number of new contracts is still higher than the historical average and the number of receivables is increasing.

The collection of financing receivables continues to be favorable. Inventories increased by JPY50.7 billion in real terms. Port congestion is currently improving, but inventories in transit are increasing compared to the previous year.

Interest-bearing debt increased by JPY235.3 billion in real terms, including current and non-current liabilities. This was mainly due to the issuance of bonds in connection with the increase in the Company's stake in Escorts Limited.

The DE ratio on a net basis is 0.68. Excluding the financial services business, the base rate was negative 0.13.

Statement of Cash Flows

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(Unit: billions of yen)	Six months ended June 30, 2022	Six months ended June 30, 2021	Changes
Net cash (used in) provided by operating activities	-22.0	50.8	-72.8
Increase in finance receivables	-37.9	-99.3	+61.4
Other	15.9	150.1	-134.2
Net cash used in investing activities	-226.6	-45.3	-181.4
Payments for acquisition of property, plant, and equipment and intangible assets	-80.6	-57.0	-23.7
Other	-146.0	11.7	-157.7
Net cash provided by financing activities	189.8	2.3	+187.5
Effect of exchange rate changes on cash and cash equivalents	15.6	6.8	+8.8
Net increase (decrease) in cash and cash equivalents	-43.3	14.6	-57.9

Free cash flow	-102.7	-6.2	-96.5

KUBOTA Corporation (Financial results for the six months ended June 30, 2022)

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Please see page 10. This is a summary of cash flows.

Operating cash outflows totaled JPY22 billion.

The breakdown is as follows. Income and depreciation and amortization provided JPY141.9 billion, while an increase in financing receivables accounted for JPY37.9 billion in expenditures and others accounted for JPY126 billion in expenditures.

Compared to the same period last year, expenditures increased by JPY72.8 billion. The main reason was an increase in trade receivables due to higher sales.

As you can see, investing and financing cash flows are as follows.

Free cash flow was negative JPY102.7 billion, a decrease of JPY96.5 billion from the previous year.

Financial Services <Reference (unaudited)>

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Statement of Financial Position

(Unit: billions of yen)		As of June 30, 2022		As of Dec. 31, 2021	
		Financial services	Equipment operations	Financial services	Equipment operations
Total assets		1,948.6	2,690.1	1,636.4	2,405.8
	Cash and cash equivalents	38.6	176.7	30.4	228.3
	Trade receivables	32.6	660.8	30.7	544.6
	Finance receivables	1,698.4	-	1,410.4	-
	Inventories	-	632.3	-	510.1
	Property, plant, and equipment	9.0	572.0	5.7	490.7
	Other	170.0	648.3	159.4	632.1
Total liabilities		1,638.0	877.4	1,384.0	855.8
	Total interest-bearing liabilities	1,547.5	-	1,301.6	-
	Other	90.5	877.4	82.4	855.8
Total equity		310.7	1,812.7	252.4	1,550.0

Statement of Profit or Loss (Financial Services)

(Unit: billions of yen)	Six months ended June 30, 2022	Six months ended June 30, 2021	Changes	
	Amount	Amount	Amount	%
Revenue	51.9	43.2	+8.6	+20.0
Operating profit	45.5% 23.6	47.4% 20.5	+3.1	+15.3
Profit attributable to owners of the parent	27.7% 14.4	30.0% 13.0	+1.4	+10.9

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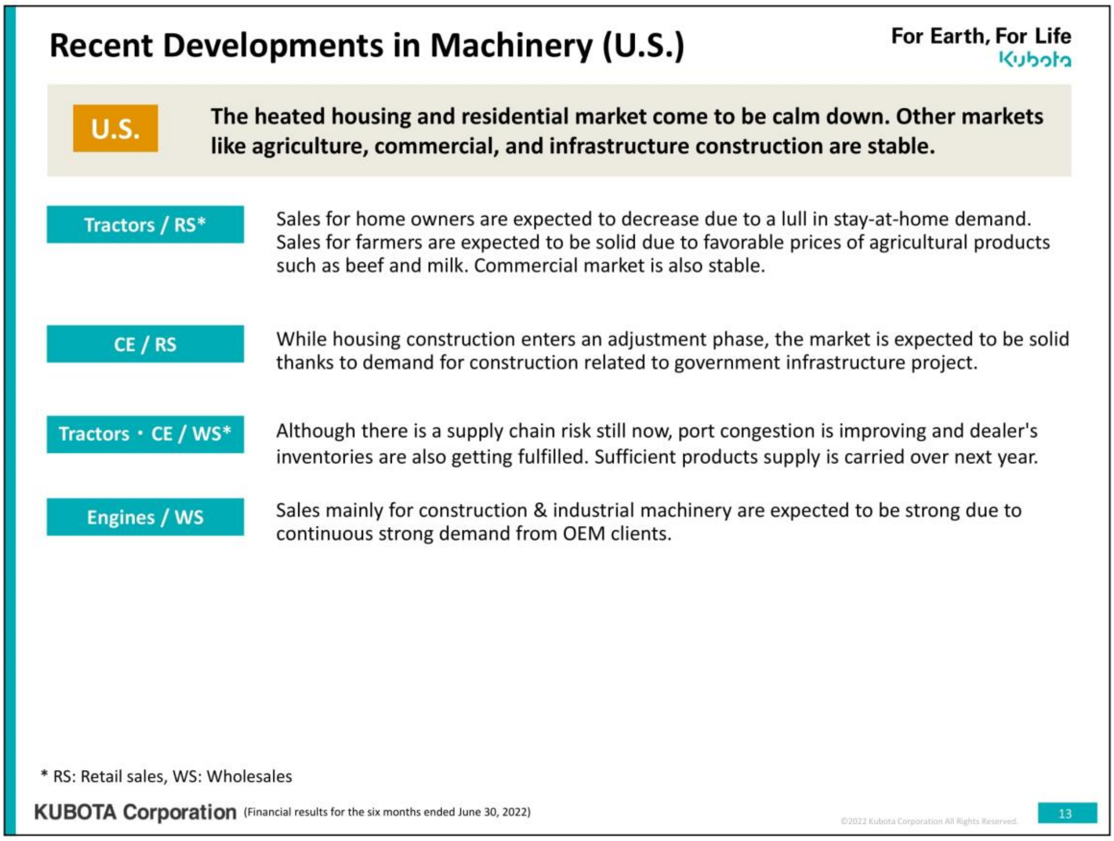
Please see page 11.

For your reference, we have estimated the balance sheets of the financial business and other businesses and the P&L of the financial business.

As you can see, we remain debt-free on a non-financial business basis. We have also estimated the P&L of the financial business, and I think we can say that it is maintaining sufficient profitability.



Next, I will explain the market environment for the machinery business for the current fiscal year.

Please see page 13.

First, North America, the United States. Housing starts, which are strongly related to our business, were approximately 1.55 million as of June 2022, and we believe that they are settling down from the 1.7 million level that had continued since the beginning of the period. Although the residential market, which heated up due to special demand [during the] coronavirus pandemic, is likely to enter an adjustment phase, we expect the agricultural market, commercial market, and infrastructure construction demand to remain strong.

I would like to mention by product.

First, for tractors, the main market are small ones with horsepower of 40 hp or less which are mainly for individuals and homeowners, but this portion of the market, as well as the medium-sized 40 hp to 60 hp tractors for individuals and homeowners, is expected to decrease YoY due to a lull in demand for stay home and a slowdown in the housing construction market.

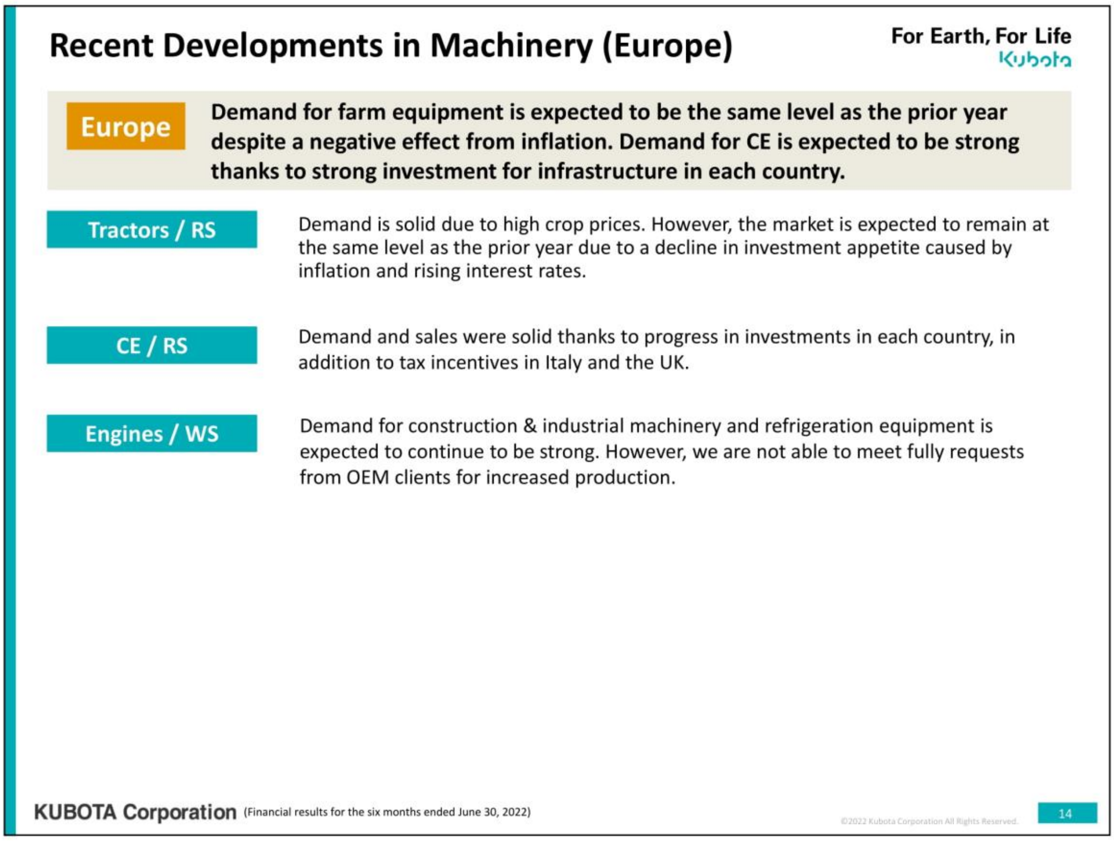
The market size is expected to return to the moderate pace of growth prior to the coronavirus pandemic special demand, but at this point we recognize that the market is still stronger than in 2019. The market for medium-size, 60 hp and above, and large-size, 120 hp to 160 hp, machines, which are used mostly in agriculture, has remained strong due to the continuous high prices of beef, milk, and agricultural products.

We also expect demand in the commercial market for professional mowers and utility vehicles to remain stable.

In addition, although the housing market is expected to slow down, construction equipment is expected to remain strong due to the passage of the USD1 trillion infrastructure investment plan bill, which is expected to increase infrastructure construction.

Regarding the inventory situation, it will take some time to solve the supply chain problem, but we expect to have enough stock of some models, such as tractors, by the end of the year, partly due to the effect of the parallel production in Japan. We will continue to limit the impact on retail sales through precise inventory allocation.

Demand from OEM customers continues to be strong for engines, and we expect strong sales mainly for construction and industrial machinery.



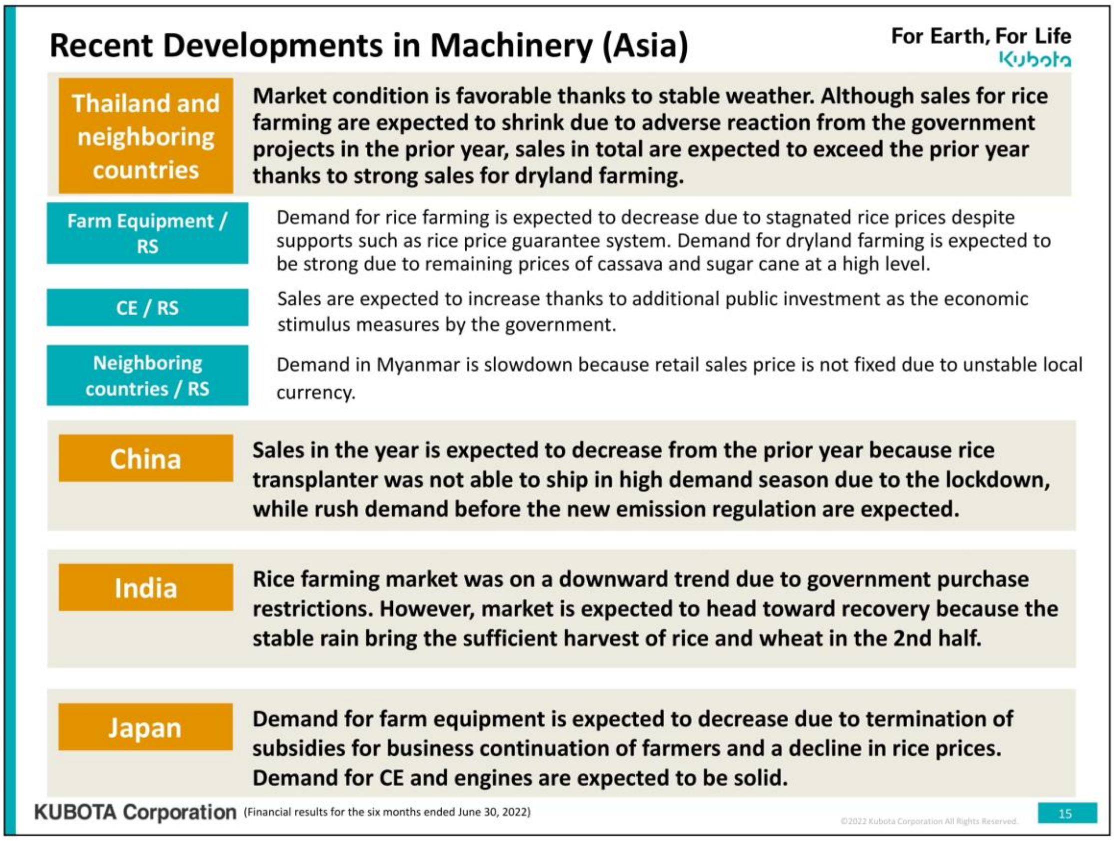
Please see page 14. Next is Europe.

While we expect the agricultural market to remain flat YoY, we expect the construction equipment market to remain strong.

Demand for tractors is firm due to high prices for agricultural products, but the market is expected to remain at the same level as the previous year due to inflation and rising interest rates, which are expected to reduce the appetite for investment.

The construction machinery market is expected to remain firm for the time being, thanks to infrastructure investment in many countries, partly due to preferential tax treatment in Italy and the UK.

Demand for engines for construction machinery, industrial machinery, and refrigeration equipment continues to be strong, but we are not yet able to meet all of our OEM customers' requests for increased production.



Please see page 15. Asia and Japan. First, Thailand.

The weather is stable and market conditions are favorable. Rice crop materials were sluggish compared to the previous year due to the reaction to the previous year's government projects and the lack of an increase in rice prices.

On the other hand, in the field crop market, prices of agricultural products such as sugarcane and cassava are stable at high levels, and overall sales are expected to increase as major development through mechanization progresses. In the construction machinery business, we expect an increase in sales due to public investment as a result of the government's economic stimulus measures.

In countries surrounding Thailand, although the political situation in Myanmar has stabilized, the unstable local currency makes it difficult to set retail prices and the market is expected to remain in a state of confusion and stagnation.

In China, the rush before the price hike due to emission regulations continues, but due to the Shanghai lockdown, we are unable to ship rice transplanters for the sales season, which started in the first half of the year, and full-year sales are expected to fall below the previous year's level.

In India, the rice market was shrinking in the first half of the year due to government restrictions on purchases, however, the market is expected to recover in the second half of the year due to stable rainfall, which is expected to boost the rice and wheat harvests.

Finally, domestic.

In the agricultural machinery market, we will aim to increase our market share by expanding sales of combine harvesters and new series, despite the end of subsidies for continuing business operations and the continuing impact of falling rice prices. The market for construction equipment and engines is firm due to the easing of restrictions on sales activities caused by the Coronavirus and stable domestic construction demand.

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.
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%	-	-	-15.8%	-	-
	40-120hp	-4.2%	-13.4%	-	-	-9.8%	-	-
	120-160hp	+10.3%	+3.9%	-	-	+6.5%	-	-

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.
2021	+38.0%	+30.4%	+7.4%	+2.1%	+33.5%	+23.4%	+16.8%
2022	+11.0%	-10.8%	-	-	-1.9%	-	-

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%	-	-	-6.0%	-	-

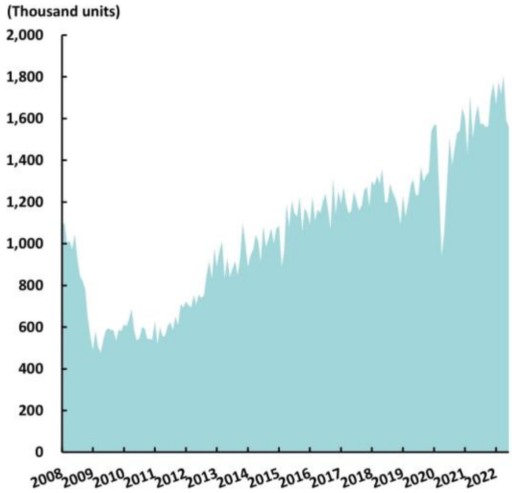
Source: AEM (Association of Equipment Manufacturers)

■ 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%	-	-	-19.6%	-	-

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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Supplementary data of Thailand, China, and Japan

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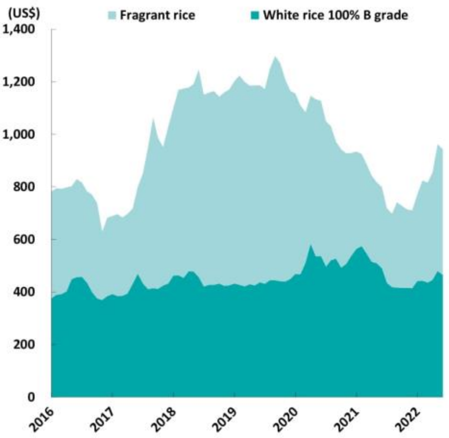
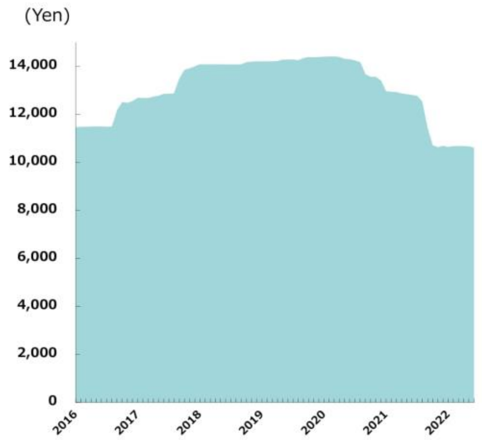
Kubota

■ 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)		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
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	

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Pages 16 and 17 provide supplementary data for each region.

Anticipated Operating Results

For Earth, For Life
Kubota

(Unit: billions of yen)		Year ending Dec. 31, 2022 (Forecast)	Year ended Dec. 31, 2021 (Actual)	Changes Amount	Changes %	Previous forecast (Feb. 2022)
Revenue		2,640.0	2,196.8	+443.2	+20.2	2,450.0
	Domestic	626.0	602.8	+23.2	+3.9	645.0
	Overseas	2,014.0	1,594.0	+420.0	+26.4	1,805.0
Operating profit		9.8% 260.0	11.2% 246.2	+13.8	+5.6	10.2% 250.0
Profit before income taxes		10.3% 273.0	11.5% 252.6	+20.5	+8.1	10.3% 253.0
Profit attributable to owners of the parent		7.0% 185.0	8.0% 175.6	+9.4	+5.3	7.3% 178.0

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We will continue to explain our forecast for FY2022.

Please see page 19.

Net sales are projected to increase by JPY443.2 billion to JPY2,640 billion, operating income by JPY13.8 billion to JPY260 billion, and net income by JPY9.4 billion to JPY185 billion.

In terms of sales in local currency, we expect a decrease in North American wholesale sales due to delayed exports from Japan caused by supply chain disruptions, but this will be offset by additional price increases not included in the initial plan and a net increase in sales at Escorts Limited.

However, in terms of yen, the depreciation of the yen will also contribute to the increase in revenue.

Anticipated Revenue by Reportable Segment

For Earth, For Life
Kubota

(Unit: billions of yen)		Year ending Dec. 31, 2022 (Forecast)	Year ended Dec. 31, 2021 (Actual)	Changes	
				Amount	%
Machinery		2,280.0	1,864.8	+415.2	+22.3
	Domestic	312.0	310.5	+1.5	+0.5
	Overseas	1,968.0	1,554.3	+413.7	+26.6
Water		335.0	305.4	+29.6	+9.7
	Domestic	289.0	265.7	+23.3	+8.8
	Overseas	46.0	39.7	+6.3	+16.0
Other		25.0	26.6	-1.6	-6.0
	Domestic	25.0	26.6	-1.6	-5.8
	Overseas	0.0	0.0	-	-
Total revenue		2,640.0	2,196.8	+443.2	+20.2

Domestic revenue	626.0	602.8	+23.2	+3.9
Overseas revenue	2,014.0	1,594.0	+420.0	+26.4

(Excluding the effects of fluctuation in exchange [+175.0 billion yen], the increase rate in total overseas revenue is 15%.)

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Please see page 20. Sales by segments.

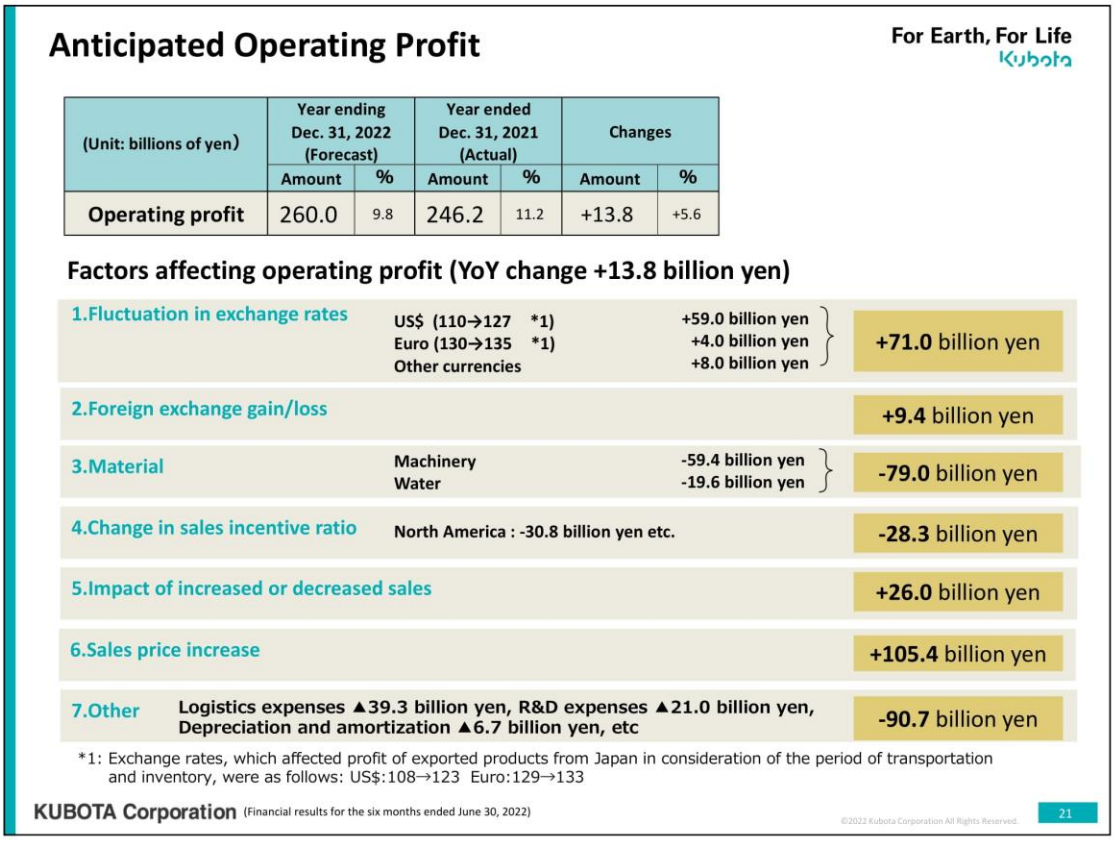
Domestic sales of machinery will be at the same level as the previous year. Overseas sales of machinery will increase by JPY413.7 billion, largely due to the exchange difference caused by the weaker yen.

In North America, wholesale sales will remain firm due to the sufficiency of dealer inventories and the effect of price increases. Europe is also doing well.

In addition, Asia will see an increase due to a net increase in Escorts Limited, in addition to the solid performance in Thailand.

Domestic sales of water and environment are expected to increase from the previous year, mainly due to the effect of price hikes. Overseas sales are also expected to increase.

The total impact of foreign exchange on overseas sales will be positive by about JPY175 billion. Excluding the effect of foreign exchange rates, the real increase in overseas sales is about 15%.



Anticipated Operating Profit

For Earth, For Life
Kubota

(Unit: billions of yen)	Year ending Dec. 31, 2022 (Forecast)		Year ended Dec. 31, 2021 (Actual)		Changes	
	Amount	%	Amount	%	Amount	%
Operating profit	260.0	9.8	246.2	11.2	+13.8	+5.6

Factors affecting operating profit (YoY change +13.8 billion yen)

1.Fluctuation in exchange rates	US$ (110→127 *1) Euro (130→135 *1) Other currencies	+59.0 billion yen +4.0 billion yen +8.0 billion yen	**+71.0** billion yen
2.Foreign exchange gain/loss			**+9.4** billion yen
3.Material	Machinery Water	-59.4 billion yen -19.6 billion yen	**-79.0** billion yen
4.Change in sales incentive ratio	North America : -30.8 billion yen etc.		**-28.3** billion yen
5.Impact of increased or decreased sales			**+26.0** billion yen
6.Sales price increase			**+105.4** billion yen
7.Other	Logistics expenses ▲39.3 billion yen, R&D expenses ▲21.0 billion yen, Depreciation and amortization ▲6.7 billion yen, etc		**-90.7** 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→123 Euro:129→133

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Please see page 21. I will now explain about operating income.

In response to higher-than-expected inflation, we have implemented an additional price increase in April, which was not originally anticipated, and expect to be able to cover the increase in material and transportation costs.

However, due to the production cutback caused by the Shanghai lockdown, the introduction costs to cope with increased production and reduced sales will weigh heavily on the Company. The effect of a weaker yen will compensate for this, but the effect will be limited and a significant portion of the advantage will be offset by the impact of rising US interest rates, one of the factors behind the weaker yen, and a review of reserves due to the difference in yen conversion.

However, we expect operating income to increase by JPY10 billion to JPY260 billion due to positive factors such as increased sales in Thailand and the addition of Escorts Limited as a consolidated subsidiary.

The contents of operating income are as follows.

Compared to the previous year, foreign exchange fluctuations had a JPY71 billion impact and foreign exchange gains and losses had a JPY9.4 billion increase. The change in the incentive rate is a decrease of JPY79 billion due to higher raw material steel prices, and the change in the incentive rate is a decrease of JPY28.3 billion due to higher interest rates in the US.

On the other hand, we expect to post a gain of JPY26 billion from increased sales.

Product price hikes, including additional price hikes in April mainly in North America, had the effect of increasing profits by JPY105.4 billion, while the remaining was negative JPY90.7 billion, which is the other factor for the decrease in profits.

Other factors contributing to the decrease in profit were in the form of a large increase in expenses due to the impact of inflation and the deterioration of production efficiency associated with the lockdown.

Others include: JPY39.3 billion deterioration in distribution expenses, JPY21 billion increase in research expenses, JPY6.7 billion increase in depreciation expenses, JPY14 billion increase in personnel expenses, JPY34.3 billion increase in selling and fixed expenses including the cost of relocating Sakai Research Center, and JPY24.6 billion increase in other sales mix and contribution from profit of Escorts Kubota Limited.

In total, this item contributed JPY90.7 billion to the decrease in profit as other items.

Anticipated Operating Profit by Reportable Segment

For Earth, For Life
Kubota

(Unit: billions of yen)		Year ending Dec. 31, 2022 (Forecast)	Year ended Dec. 31, 2021 (Actual)	Changes
Machinery	Revenue	2,280.0	1,864.8	+415.2
	Operating profit	280.0	250.4	+29.6
	OP margin	12.3%	13.4%	-1.1P
Water	Revenue	335.0	305.4	+29.6
	Operating profit	16.0	22.3	-6.3
	OP margin	4.8%	7.3%	-2.5P
Other	Revenue	25.0	26.6	-1.6
	Operating profit	4.0	3.7	+0.3
	OP margin	16.0%	13.9%	+2.1P
Adjustment	Operating profit	-40.0	-30.2	-9.8
Total	Revenue	2,640.0	2,196.8	+443.2
	Operating profit	260.0	246.2	+13.8
	OP margin	9.8%	11.2%	-1.4P

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Page 22. Operating income by business segment.

Adjustment consists of foreign exchange losses, as well as general expenses of headquarter and research expenses.

CAPEX, Depreciation, and R&D Expenses

For Earth, For Life
Kubota

■ CAPEX, Depreciation and R&D expenses

(Unit: billions of yen)	Year ending Dec. 31, 2022		Year ended Dec. 31, 2021
	(Forecast)	(Previous forecast)	(Actual)
Capital expenditures *	180.0	190.0	121.4
Depreciation and amortization *	62.3	62.6	55.6
R&D expenses	86.3	86.3	65.3

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

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Please see page 23.

Finally, our assumption on capital investment, etc.

Capital expenditures have been revised downward by JPY10 billion to a maximum of JPY180 billion due to delays in material deliveries caused by supply chain disruptions.

Depreciation is expected to be JPY62.3 billion. Research and development expenses have remained unchanged as they have remained steady.

I [have explained] consolidated financial results for the first half of FY2022 and the outlook for the full year.

I will now take your questions, but before I do so, I would like to make one point of caution.

Regarding Escorts Kubota Ltd., which has been included in the scope of consolidation since the 2nd quarter, is listed on the stock exchange in India, so we would like to ask the IR department of Escorts Kubota Ltd. to respond to inquiries about its business performance. In addition, in accordance with the rules for listed companies in India, we are not allowed to disclose forecasted or projected figures for our Indian operations. Please understand. Thank you for your cooperation.

That is all from Yoshikawa.

Question & Answer

Matsui [M]: Okay, we will now go to the Q&A session. Please limit your questions to two per person.

First, Mr. Sano from JPMorgan Securities, please go ahead.

Sano [Q]: I am Sano from JPMorgan Securities. Thank you for your explanation.

First, on the first point, please tell us about the sentiment of dealers in the US, particularly in terms of their approach to holding inventory. We have heard about the slowdown in end demand, your company's shortage of stocks, etc., but we would like to know if there has been any change in dealers' reluctance or desire to carry less inventory than in the past, in order to predict your company's wholesale trends. This is the first point.

Yoshikawa [A]: I would like to answer from Yoshikawa. As for the sentiment of dealers in the US, I think there is a slight difference between our mainstay residential tractors and construction equipment. As I mentioned earlier, the demand for stay home after the coronavirus was, in a sense, a special demand, but I believe that this demand has subsided to some extent, and the demand for that portion has decreased. Compared to a year ago, of course, we feel that dealers are thinking differently about inventory.

At the same time, however, as I mentioned earlier, we recognize that the market is not necessarily shrinking compared to the situation in 2019 before pandemic. It is true that the retail volume in the market itself is slightly decreasing, but compared to 2019, the dealer inventory in the industry as a whole has decreased considerably, and this level of inventory is achieved with a 20% to 30% decrease. That's why we feel, and I think the dealers also feel, that there is a solid demand.

On the other hand, dealer inventories of construction equipment are decreasing rapidly, and there is some uncertainty about the future, but demand for construction equipment from construction companies is still strong. We believe that the sentiment of dealers has not changed much.

Therefore, both small and large tractors are rather returning to the normal situation before pandemic, as well as the way dealer inventory is held. Also, the ordering process is returning. As for construction equipment, we are still looking at a strong demand for products that we hope will be brought to us as soon as possible. We will look at the market next year from now, but I do not feel that dealers have such a pessimistic sentiment toward tractors at this point. That is all.

Sano [Q]: I understand. Thank you very much. The second point is that even in the press, there will be talk of investing at the 300 billion level of capital investment by 2030, and raising the ratio of domestic production to more overseas production, which I believe will involve Japan, India, and the United States. In fact, this time also, I think there were some positive factors such as the sharing of supply networks, the impact of inflation, and conversely, the exchange rate.

Could you talk about how to create the optimal supply network for Kubota in the medium to long term, including the involvement of capital investment amounts? Please.

Yoshikawa [A]: Clearly, we have not yet been able to disclose how we will change our production system and production layout in Japan and overseas, but I would like to talk about a few points.

As I have said before, where the ratio of overseas production is still just over 30%, there is still the problem of vulnerability to exchange rate fluctuations. In addition, the lead time from manufacturing in very distant places will be longer, and we will not be able to respond to the market as quickly as we would like. I hope you will understand that our basic stance is to raise the overseas production ratio in this medium-term plan.

But on the other hand, another issue is the procurement network that comes from two to three years of supply chain movement. In addition, the continuous, extremely high ocean freight rates since last year have made it difficult to predict what will happen in the future, but I think that we need to shift more production to local markets, not only because of the cost of shipping goods from distant Japan to North America and Europe, but also because of the problem of arranging shipping. I feel that we are being encouraged to do so.

On the other hand, however, there are also some places in North America that have been having considerable difficulty in securing manpower, partly because of the start of pandemic since last year. Therefore, there are a variety of factors to consider, such as whether to continue to increase the number of current production bases, the location, and even if production is actually carried out locally, the final assembly, processing, and assembly methods for arranging parts.

Therefore, we would like to consider which scope of the product to hold locally and what kind of scope to produce in-house, as well as the differences between Japan and North America in terms of areas in which we excel in manufacturing. With these consideration in mind, we would like to bring ourselves in a desirable position,

Therefore, we would like to basically accelerate overseas production. We would like to make such investments in the future, but we are now considering not simply relocating the plant, but we also need to think together about how to locally procure parts, internal production, and scoping, and we are currently discussing about it.

Unfortunately, there may not be an immediate effect even though we make some decisions this year or next year, so we may have to ask for a little time, but as a solution to the various problems we faced last year and this year, we will be reviewing the procurement route for the production layout as a solution to the problems we are facing. That is all.

Sano [M]: Thank you for your explanation. That is all.

Matsui [M]: Next, Mr. Fukuhara from Jefferies Securities, please go ahead.

Fukuhara [Q]: I am Fukuhara from Jefferies. Thank you for all your help. My first point is about the impact of this acquisition in India on the profit margin of your Asian operations. The operating profit margin in Asia is, I believe, the second highest in each region. With this acquisition, for example, the improvement of the product mix, and the settlement of local accounts become possible, so we expect the profit margin to basically increase. However, we will also need to develop new products, and this could be a factor that lowers the profit margin.

For example, as a scenario, is it safe to assume that the profit margin of your Asian business will increase as a result of this acquisition, or will it decrease somewhat in the first year, but increase only in two to three years? Is there anything you can share at this time regarding this thought?

Yoshikawa [A]: I would like to offer some answers. First of all, we basically hope that the acquisition of Escorts Limited will contribute not only to our Asian business but also to the improvement of Kubota's overall profit margin and the expansion of our business.

First of all, we acquired Escorts Limited in India because we want to expand our business in this area, first of all tractors, as the main source of agricultural machinery in India. We also have agricultural machinery other than tractors, such as combine harvesters, and rice transplanters in India, and eventually we would like to work with them to sell and possibly manufacture construction machinery as well, so that is one thing.

In addition, we would like to utilize their procurement network to procure various items in India and supply them to our manufacturing bases in Asia, Japan, and the US, which will have a positive effect not only on our Asian business but also on Kubota's various other businesses.

Also, in terms of product development as you mentioned, of course, we need to develop the market in India and various new products, so we will ask them to do their best in those areas. However, we would like to utilize Indian engineers not only in the Indian market but also in the basic market, and we would like to utilize Indian engineers in the development of not only mechanical products but also electronic products on a global basis. Therefore, I believe that this can be utilized not only in India but also in Kubota as a whole.

As you mentioned, we will be strengthening our development system in India, so there is a possibility that the cost will increase, but we are drawing a picture in which the returns will be utilized not only in India and Asia, but also on a global basis. It is possible that the increased initial investment may or may not drag down the bottom line for the first few years, but there are various themes that have a fairly immediate impact, and we are hopeful that the acquisition of Escorts will contribute to Kubota's overall profits.

Profit has contributed from the second quarter, and as I mentioned earlier, I would like to refrain from commenting on the figure of Escorts in the third and fourth quarter, but Escorts itself has been securing a high profit margin in the past, even in very publicly disclosed figures. We expect that our participation in their business will help them to achieve further growth and secure profits, which, when consolidated, will surely contribute to improving the profit margin of Kubota's Asian operations.

Is the above answered? Is it OK with you?

Fukuhara [Q]: Thank you very much. By the way, you probably can't comment on the numbers this time for the so-called PPA-like initial costs involved in this acquisition, but did [you] have that much as an image?

Ito [Q]: This is Ito from the Planning Division. Thank you for your question. The point you are inquiring about now is how the PPA is progressing?

Fukuhara [Q]: I just want to confirm that the initial costs associated with the acquisition, simply put, were not that much in particular.

Matsui [A]: PPA is expected to take until the end of the year as a first calculation. Therefore, at the end of the year, there will be a calculation for intangible assets in goodwill, so those expenses will be included at the end of the year.

Fukuhara [Q]: Okay**.** Thank you very much. Secondly, I know this is a bit detailed, but the annual plan for water and environmental projects has been revised by about JPY500 million this time. Is there a reason for this?

Kondo [A]: I am Kondo from the Water Environment General Affairs Department. As for sales, we have announced a material price increase for steel and synthetic pipes, etc., and we expect this to have a positive effect, as we have begun to gain the understanding of our customers.

Matsui [A]: The initial forecast was JPY340 billion. That is JPY335 billion in the second quarter forecast, so you want to ask why JPY5 billion is less than the initial forecast, right, Mr. Fukuhara?

Fukuhara [Q]: And there was also a revision to operating income. Please explain the reason for that as well.

Kondo [A]: My apologies. First, sales have been lowered because the penetration of the current price increase was not as expected at the beginning of the fiscal year. Profits are in a state of revision due to the effects of higher unit prices in the pipe division and raw materials.

Fukuhara [M]: Okay**.** Thank you very much. That is all.

Matsui [M]: Next, Mr. Mizuno from UBS Securities, please go ahead.

Mizuno [Q]: I am Mizuno from UBS Securities. I have two questions. The first is with respect to the market environment for tractors in North America, I believe there was a rather strong statement regarding the market environment for tractors in North America, which is still above 2019, but will probably decline to that point and return to a moderate pace of growth.

If such a scenario materializes, could you tell us what adjustments are being discussed internally regarding the growth strategy, investment, and allocation of funds, as set forth in the mid-term plan that is currently running? That is my question.

Yoshikawa [A]: Thank you, Mr. Mizuno. First of all, regarding tractors, we believe that there is a potential demand for tractors same as the year 2019, which is before the coronavirus disaster. However, while the industry as a whole is experiencing a 20% to 30% decline in inventories, we believe that the current situation is generally similar to 2019, taking into account that inventories are disappearing, although they may be slightly below the level in June.

Although there are uncertainties about the future of the US economy, we believe that the trend from urban to suburban areas in the US will continue for the time being, although it may speed up or slow down a little. In this sense, I believe that the residential market will remain stable.

However, in our mid-term plan, the major growth in North America is not in residential tractors, but rather in construction machinery and other non-tractor areas, and we are determined to increase these areas. Therefore, we still have room to grow in terms of market share, and considering the ongoing public investment in the US, we are focusing our efforts on construction equipment to realize the growth strategies in our mid-term plan for North America.

Regarding the impact of our investment strategy, as you asked, we are currently preparing a production plant for construction equipment in North America in the state of Kansas, and a portion of the plant will begin operation and mass production this fall. We are also considering making additional investments in the future.

On the other hand, as Mr. Sano mentioned earlier in his question, we also need to consider how to make our production and procurement layouts more robust and cost-effective. We intend to make aggressive investments in this area by strengthening and establishing a manufacturing structure to expand our construction machinery business in North America.

In addition to manufacturing, we also need to strengthen our development capabilities, so we are developing a North American construction equipment development system. We will take measures to realize construction machinery in North America as the first pillar of our growth strategy in the medium term.

Mr. Mizuno, did I answer your question?

Mizuno [Q]: Of course. Thank you very much. Another is about the operational structure. Last year, Kubota made comments about the impact of the shutdown of operations due to the coronavirus disaster, and this year, comments about the impact of the Chinese lockdown were made earlier this spring and the impact on profits is relatively large. Also, when I talk with investors, it feels a little sudden.

If this kind of thing continues, I think the risk response capability of operations management will be questioned a bit. Sorry, this may sound a bit harsh, but do you have any recognition of the issues within your company? Then there is the communication of information, the analysis of information, and the system. Or, could you please tell us if you are discussing any cost management review or anything else in response to these situations?

In particular, investors often compare your company with Daikin and Komatsu, which are representatives of Japan. I thought that you might be looked at with a little harsh viewpoint, and for that reason, could you tell us about Kubota's current internal awareness, what you are trying to do, and the status of the Company in this area. Please.

Yoshikawa [A]: We are also concerned about our business due to the lockdown and the difficulty in procuring semiconductors. As for what is happening, whether or not the lockdown itself could have been anticipated, parts of things are not coming in.

However, our business plan for this year is to respond to strong demand and orders, especially in North America, and we have been preparing our production system, including personnel, procurement, and other components. Since we were unable to manufacture the products, the increase in costs itself was as expected, but the impact on the cost of goods sold was negative. That was the biggest point.

There were some cases where the lockdown affected components that we directly purchased, and there were also some modular components that we procure, such as semiconductors, but we could not directly detect the movement of semiconductors that are embedded in such components.

As you pointed out, as for how to think about the risk management for these areas, it has been difficult to procure from Coronavirus pandemic not only this year but also since last year. We are aware that we need to diversify our procurement and promote more local production for local consumption, and we are making progress, but unfortunately, it is difficult to make major changes in our procurement layout in six months or a year.

We are doing everything we can to counteract the situation, and in some cases, we are even building up our inventory a bit, but it is not easy to be vulnerable when a major event like the Shanghai lockdown occurs. In addition, the biggest problem for the past month or two has been the lack of information about semiconductors, especially since module parts that utilize general-purpose semiconductors are no longer being delivered to us.

Therefore, information on supply should be made available more quickly. We also respond agilely to such things. The production planning process also relies to a certain extent on human tactics, and we need to resolve this issue. We are in the process of updating our information system for this purpose, so once this is up and running, we may have been able to handle some things a little better. In any case, I am afraid I may not have answered your question, but I believe it happened while we are in the process of dealing with the items you mentioned, Mr. Mizuno.

In response to Mr. Sano's question earlier, regarding the procurement, we would like to strengthen our measures to deal with such risks in the overall production layout. Is it OK with you?

Mizuno [M]: Yes, I understand. I look forward to seeing your progress again. Thank you very much. I wish you continuous support.

Matsui [M]: I am sorry, but the next person will be limited to one question. Now, Mr. Maekawa from Nomura Securities, please go ahead.

Maekawa [Q]: My name is Maekawa from Nomura Securities. Thank you very much for your explanation. I understand I can ask one question only.

In the “others” section of the factors for increase/decrease in profit, you gave us figures for personnel expenses and selling expenses, etc. When we divide selling expenses, including operating expenses, in the initial plan into personnel expenses, how much were they in the initial plan and how much are they increasing this time? As you mentioned earlier, there may be some lockdowns and other factors that have inflated these costs, but I would like to confirm whether or not labor and sales costs will increase to some extent in the next fiscal year and beyond? Please.

Yoshikawa [A]: I will let the IR section manager explain the comparison of the initial plan, etc., but the basic idea is that we must assume a certain level of increase in personnel expenses, for example, in the social infrastructure and in securing talent next year and thereafter. However, costs cannot only increase. Therefore, we would like to start preparations now on how to control costs and how to plan next year's budget in the midst of global inflationary concerns, by taking into account what to increase, what to reduce, and how to increase productivity. We would like to balance the increase in expenses with the increase in sales and also the profit that comes out of the Company.

Matsui [A]: I will supplement personnel costs. Labor costs, but we are talking about a full year. While the initial projection was minus [50], the current projection of minus [140] is for personnel expenses. The total of selling and fixed costs will be minus [343] this time, compared to the assumption of minus [100] at the beginning of the period.

Maekawa [Q]: Thank you very much. I have two additional questions. How much of the one-time increase is being inflated by lockdowns and the like?

Also, as for the balance between sales, profit, and expenses, retail sales, for example, have dropped considerably, and I think there is a risk that demand will fall short of 2019 demand in the future. In such a case, I think it is necessary to invest in the supply chain situation, but at what point can you control?

In some cases, will the costs be unavoidably increased for one to two years or so, even in cases where the demand was a bit low? I'm sorry, I'd like to add a little bit about the posture and these two points, I'm sorry, I would appreciate it if you could supplement each of these points. That is all.

Matsui [A]: In terms of the one-time content, the impact of the foreign currency allowance will now be included in the increase in selling and fixed costs. This was taken in response to a suggestion from our accountant that we need to reevaluate the valuation of foreign currency reserves due to the rapid depreciation of the yen. Therefore, I think it is safe to say that the impact will be transitory. The impact is generally in the latter half of the billions of yen. I think it is between JPY5 billion to JPY10 billion.

Yoshikawa [A]: I think you were talking about what we should do if the market were to shrink, as Mr. Maekawa mentioned earlier. If the top line does not increase easily in the US and other markets, we will naturally have to reevaluate many things. However, even at this point, there are various points of rationalization, and we will naturally step on the accelerator again.

Even if the market for tractors and construction equipment shrinks, we still have a lot of room to start and grow in the related services and after-market services that we can provide after shipment. We believe that we need to increase the number of businesses that are more profitable, away from such fluctuations in the economy and the market, and we would like to ensure a stable bottom line while absorbing the increase in expenses that may occur as we increase such businesses.

We would like to respond to the situation while separating the areas that we will consider while monitoring the situation and the themes that we will move forward with firmly in our mid-term plan.

Maekawa [M]: I understand**.** Thank you very much.

Matsui [M]: Okay, it is almost time to finish this briefing. This will be the last question. Mr. Isayama of Goldman Sachs Securities, please go ahead.

Isayama [Q]: Thank you very much. I also want to talk about the US, but just to reiterate, this is a story that has been mentioned many times already, and I believe that tractors are still weak compared to the industry average, both retail and wholesale, because of the China lockdown, etc. as you have explained, but in the end, can you tell us how much the market share has dropped now?

Basically, Mr. Yoshikawa's positive talk is about returning market share, and the rest is because the demand itself is strong, but I would like to talk about the background of that demand, a little more qualitative.

For example, I think you originally said that because it is a seasonal product, there is no way it would continue to accumulate in the backlog that much, but I think you mentioned the backlog that is accumulating now, so the backlog now is that everyone is fine with mowing products for summer arriving at the end of the year, or you are taking order for the next year. Or is it really just simple listing? For the sake of authenticity and probability of the backlog, so I'd like to know what you are seeing in that regard. That is my question.

Yoshikawa [A]: When I said backlog, I was mainly talking about construction equipment. To be honest, our dealer inventory has been decreasing overwhelmingly compared to other companies, so I think we have a significant backlog here.

Indeed, as you pointed out, especially for residential customers, especially tractors under 40 hp since mowing is the main application and one season ends in summer. Therefore, at this point, the backlog of orders from customers at dealers is the portion that they have truly ordered but cannot provide to customers due to lack of supplies, and I believe that this portion has decreased to some extent.

However, the reason I said that the market is firm is because people have bought it during stay home in the Coronavirus Disaster, and I think this is a temporary increase, but even if this trend dies down, I believe that the needs of the American people for mowing the grass and tending to the garden, which is basically their lifestyle and quality of life, will remain firm. Unless the US economy turns bad and our target customers lose their desire to buy, we believe that the residential sector will remain stable to some extent.

On the other hand, even so, I don't think we will be able to achieve double-digit growth there, and so we would like to promote diversification in the North American market itself by doing our best in other areas, such as medium- and large-sized tractors and agricultural equipment, as well as in the grass-related field and construction equipment.

Isayama [Q]: Thank you. Mr. Yoshikawa, I have the strong impression that your tone when you talk about the situation in the US is much more positive than when you were working on the mid-term plan. Why is it?

Yoshikawa [A]: I am not aware that we have become particularly strong, but I have a strong feeling that the sales of our construction equipment and the response to our products from our customers have been strong, so I think that the picture we drew in the mid-term plan is gradually being realized.

Rather, we believe that if we steadily supply attachments for manufacturing and construction machinery, the possibility and probability of growth will increase. That is why, I may be making a slightly stronger statement, but the situation has not changed.

Isayama [M]: I understand very well. Thank you very much.

Matsui [M]: Now that it is 11:30, the scheduled time, we will conclude the briefing.

Thank you very much for attending today's information session.

[END]

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