

For Earth, For Life
Kubota

ON YOUR SIDE

Financial Results for the six months ended June 30, 2022

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

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Financial Summary

For Earth, For Life


(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

Revenue by Reportable Segment

(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%.

Revenue by Reportable Segment (Year-on-Year)



Machinery: +154.9 billion yen (Domestic: -4.8, Overseas: +159.7)

Japan

Sales of farm equipment and construction machinery (CE) decreased due to termination of subsidies for business continuation of farmers and a decline in rice prices.

North America

Tractors continue to be shipped to settle back-order, while housing market shows decline. Sales of CE and engines increased along with demand for infrastructure development by the government.

Europe

Sales of CE increased, supported by demand for public construction. Sales of engines also increased thanks to favorable demand for construction & industrial machinery. Sales of tractors decreased because of inventory shortage in grass mowing season.

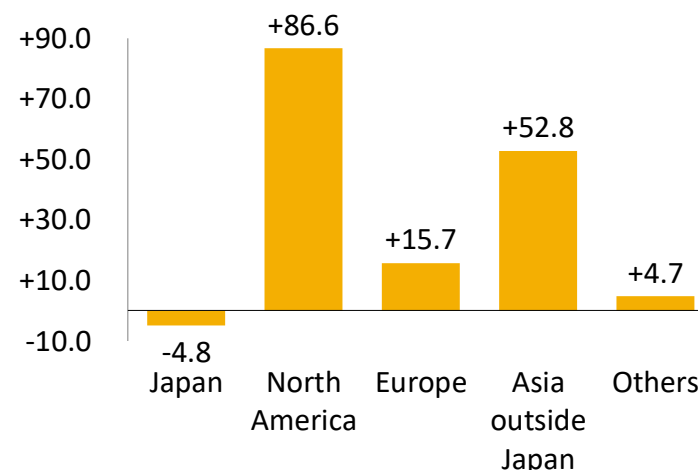
Asia outside Japan

In Thailand, sales of tractors increased due to progress in developing dryland farming market, while sales for rice farming decreased due to sluggish rice prices. Sales in India increased significantly due to the consolidation of Escort Kubota Ltd.

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: +6.2 billion yen (Domestic: +3.4, Overseas: +2.8)

Pipe system

- Sales of steel pipes increased thanks to price increase while construction works delayed due to staff shortage at construction sites.
- Sales of plastic pipes increased thanks to price increase in addition to solid demand for construction products.

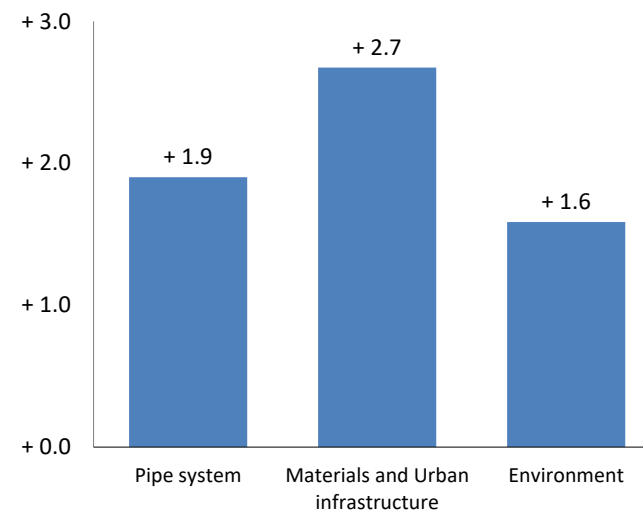
Materials and Urban infrastructure

- Sales of reformer and cracking tubes were stable by overseas project.

Environment

- Sales related with water supply and sewage facilities increased supported by operating and maintenance services and public private partnership projects.

■ Changes in revenue by business (Billions of yen)



Other: -2.0 billion yen (Domestic: -2.0, Overseas: -0.0)

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

Operating Profit

(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
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2. Foreign exchange gain/loss			+14.3 billion yen
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3. Material	Machinery Water	-33.3 billion yen -7.9 billion yen	-41.2 billion yen
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4. Change in sales incentive ratio	North America : -10.0 billion yen etc.		-9.1 billion yen
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5. Impact of increased or decreased sales			+7.1 billion yen
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6. Sales price increase			+37.2 billion yen
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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
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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\$:105→114 Euro:126→130

Operating Profit by Reportable Segment

For Earth, For Life


(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

Profit Before Income Taxes/ Profit for the Period

(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.

Statement of Financial Position

For Earth, For Life
Kubota

(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	

Statement of Cash Flows

For Earth, For Life


(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

Financial Services <Reference (unaudited)>

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

Recent Developments In Machinery

Recent Developments in Machinery (U.S.)

U.S.

The heated housing and residential market come to be calm down. Other markets like agriculture, commercial, and infrastructure construction are stable.

Tractors / RS*

Sales for home owners are expected to decrease due to a lull in stay-at-home demand. Sales for farmers are expected to be solid due to favorable prices of agricultural products such as beef and milk. Commercial market is also stable.

CE / RS

While housing construction enters an adjustment phase, the market is expected to be solid thanks to demand for construction related to government infrastructure project.

Tractors • CE / WS*

Although there is a supply chain risk still now, port congestion is improving and dealer's inventories are also getting fulfilled. Sufficient products supply is carried over next year.

Engines / WS

Sales mainly for construction & industrial machinery are expected to be strong due to continuous strong demand from OEM clients.

* RS: Retail sales, WS: Wholesales

Recent Developments in Machinery (Europe)

Europe

Demand for farm equipment is expected to be the same level as the prior year despite a negative effect from inflation. Demand for CE is expected to be strong thanks to strong investment for infrastructure in each country.

Tractors / RS

Demand is solid due to high crop prices. However, the market is expected to remain at the same level as the prior year due to a decline in investment appetite caused by inflation and rising interest rates.

CE / RS

Demand and sales were solid thanks 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, we are not able to meet fully requests from OEM clients for increased production.

Recent Developments in Machinery (Asia)

Thailand and neighboring countries

Market condition is favorable thanks to stable weather. Although sales for rice farming are expected to shrink due to adverse reaction from the government projects in the prior year, sales in total are expected to exceed the prior year thanks to strong sales for dryland farming.

Farm Equipment / RS

Demand for rice farming is expected to decrease due to stagnated rice prices despite supports such as rice price guarantee system. Demand for dryland farming is expected to be strong due to remaining prices of cassava and sugar cane at a high level.

CE / RS

Sales are expected to increase thanks to additional public investment as the economic stimulus measures by the government.

Neighboring countries / RS

Demand in Myanmar is slowdown because retail sales price is not fixed due to unstable local currency.

China

Sales in the year is expected to decrease from the prior year because rice transplanter was not able to ship in high demand season due to the lockdown, while rush demand before the new emission regulation are expected.

India

Rice farming market was on a downward trend due to government purchase restrictions. However, market is expected to head toward recovery because the stable rain bring the sufficient harvest of rice and wheat in the 2nd half.

Japan

Demand for farm equipment is expected to decrease due to termination of subsidies for business continuation of farmers and a decline in rice prices. Demand for CE and engines are expected to be solid.

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%	-	-	-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%	-	-

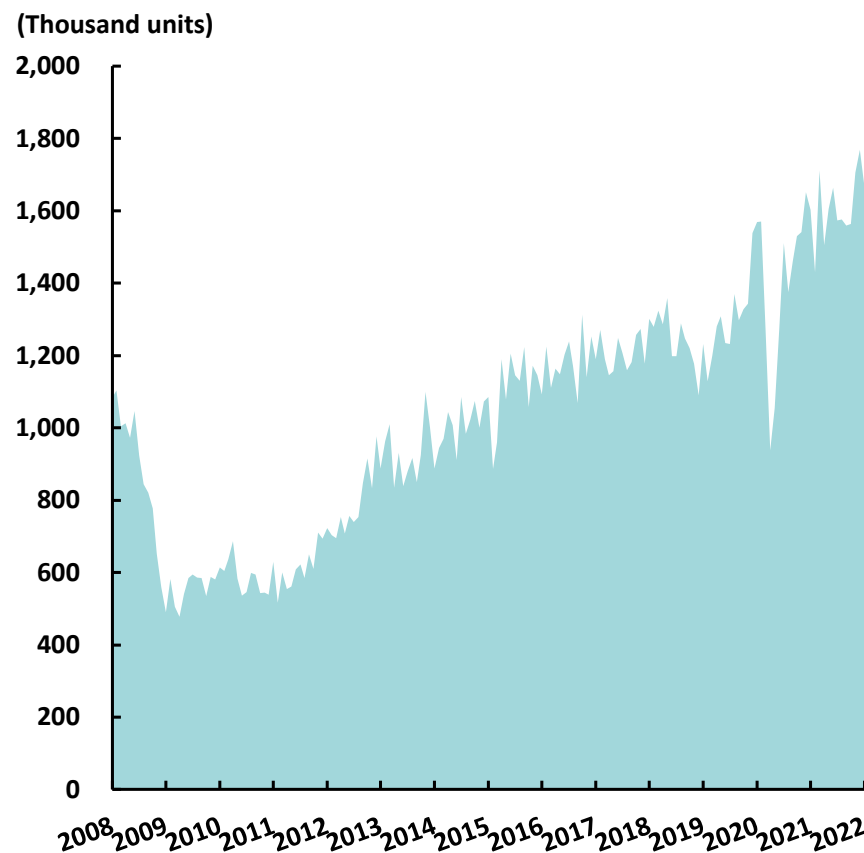
Source: AEM (Association of Equipment Manufacturers)

■ 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)

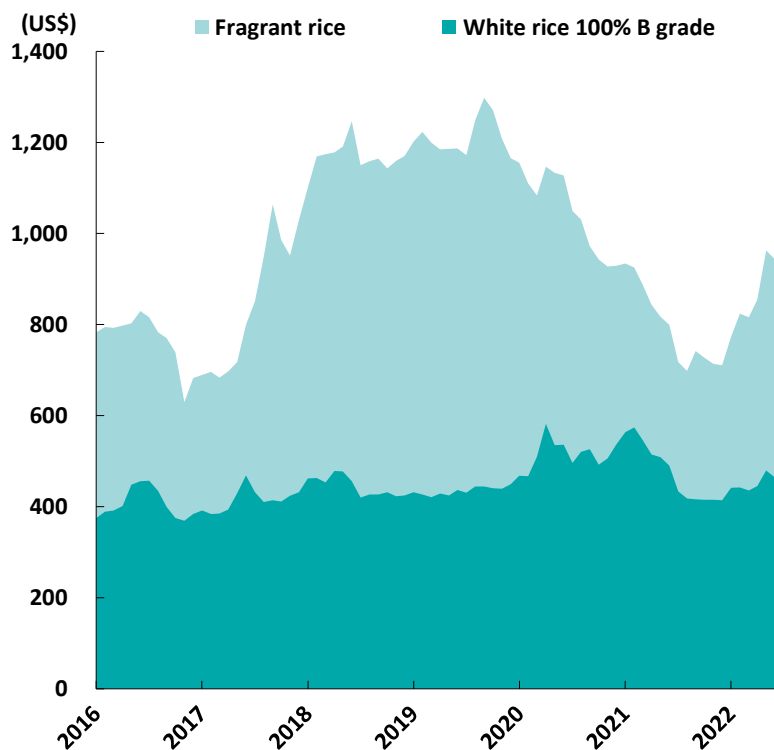
■ New privately owned housing units started (Seasonally adjusted annual rate)



Source: U.S. Census Bureau

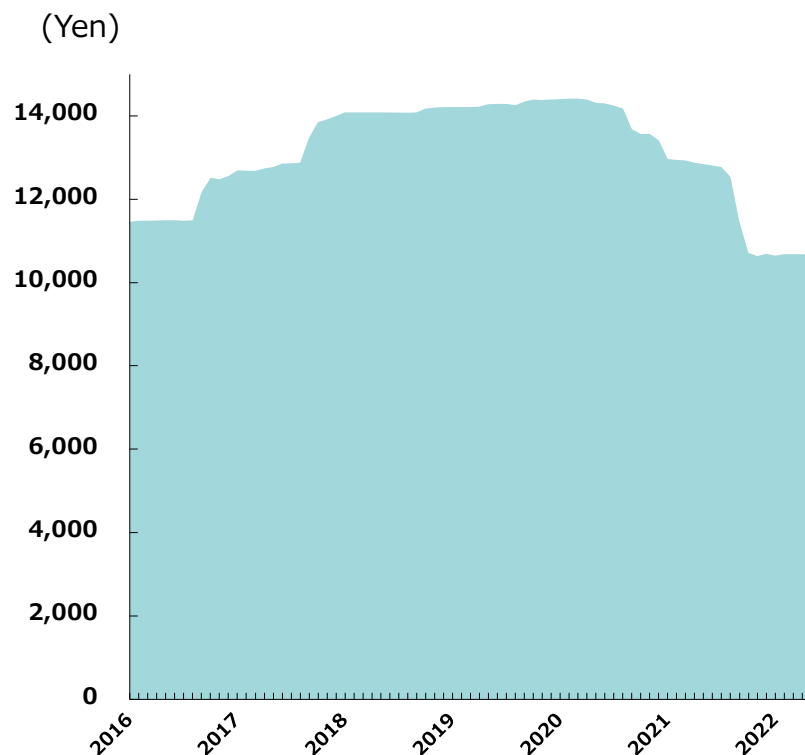
Supplementary data of Thailand, China, and Japan

■ 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)		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	

Forecast

Anticipated Operating Results

For Earth, For Life


(Unit: billions of yen)	Year ending Dec. 31, 2022 (Forecast)	Year ended Dec. 31, 2021 (Actual)	Changes		Previous forecast (Feb. 2022)
			Amount	%	
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

Anticipated Revenue by Reportable Segment

(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%.

Anticipated Operating Profit

(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

Anticipated Operating Profit by Reportable Segment

For Earth, For Life


(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

CAPEX, Depreciation, and R&D Expenses

■ 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.

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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