

Financial Results for the nine months ended September 30, 2019



November 7, 2019

Financial Summary

For Earth, For Life


(Unit: billions of yen)	Nine months ended Sept. 30, 2019	Nine months ended Sept. 30, 2018	Changes	
			Amount	%
Revenue	1,460.8	1,364.4	+96.4	+7.1
Domestic	480.7	422.8	+58.0	+13.7
Overseas	980.0	941.6	+38.4	+4.1
Operating profit	11.4% 166.2	10.9% 148.4	+17.7	+12.0
Profit before income taxes	11.7% 171.3	11.3% 153.6	+17.7	+11.5
Profit attributable to owners of the parent	8.4% 122.4	7.8% 105.9	+16.5	+15.6

(Unit: billions of yen)	As of Sept. 30, 2019	As of Dec. 31, 2018	Changes	
			Amount	%
Total assets	2,998.5	2,895.7	+102.9	+3.6
Equity attributable to owners of the parent	1,383.3	1,339.9	+43.4	+3.2

(For reference: Changes excluding the effects of fluctuation in exchange [-23.0 billion yen]
 >Overseas revenue in Machinery increased by 8%. Total overseas revenue increased by 7%.)

Revenue by Reportable Segment (Year-on-Year)

For Earth, For Life
Kubota

Machinery: +74.1 billion yen (Domestic: +28.5, Overseas: +45.5)

Japan

Sales of farm equipment increased due to rushed demand before the consumption tax hike and a positive effect from newly introduced models. Sales of construction machinery (CE) increased due to high demand for construction and rushed demand before the consumption tax hike. Sales of engines increased due to strong sales to domestic market and firm exports by OEM clients.

North America

Sales of compact tractors increased due to continuous expansion of demand along with favorable economic conditions in the U.S. Sales of medium-sized tractors also increased because the market turned to a recovery trend and our market shares increased. Sales of CE increased significantly due to a positive effect from the newly introduced models and solid demand.

Europe

Sales of tractors increased due to a recovery from sluggish sales in the prior year in France and Germany despite a negative impact of drought and sluggish market in Turkey. Sales of CE were almost at the same level as the prior year due to sluggish sales in the U.K. along with Brexit, while sales in France and Germany remained strong. Sales of engines increased slightly because a positive effect from raised product prices compensated for adverse reaction from temporary demand before tightening of emission regulations. However, revenue from every product translated in yen decreased respectively due to a negative effect from the yen appreciation.

Asia

In Thailand, sales of tractors increased due to progressed restocking by dealers, while the growth in retail sales slowed down due to drought and typhoon. In China, sales of farm equipment decreased significantly due to decreased demand for repurchases caused by deterioration in profitability of contractors and continuous shift in demand to equipment with high processing capacity. Sales of CE decreased due to a drop in sales of excavators over 4t.

Water: +20.4 billion yen (Domestic: +27.6, Overseas: -7.1)

Operating Profit

For Earth, For Life


(Unit: billions of yen)	Nine months ended Sept. 30, 2019		Nine months ended Sept. 30, 2018		Changes	
	Amount	%	Amount	%	Amount	%
Operating profit	166.2	11.4	148.4	10.9	+17.7	+12.0

Factors affecting operating profit (YoY change +17.7 billion yen)

1. Fluctuation in exchange rates	US\$ (110→109 *1) Euro (131→123 *1) Other currencies	+1.0 billion yen -4.0 billion yen -2.0 billion yen	} -5.0 billion yen
2. Foreign exchange gain/loss			
3. Material	Machinery Water	-5.0 billion yen -1.0 billion yen	} -6.0 billion yen
4. Change in sales incentive ratio	North America : +12.1 billion yen etc.		
5. Impact of increased sales			+27.0 billion yen
6. Sales price increase			+10.3 billion yen
7. Other			-18.8 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\$:110→111 Euro:132→126

Anticipated Operating Results

For Earth, For Life
Kubota

(Unit: billions of yen)	Year ending Dec. 31, 2019 (Forecast)	Year ended Dec. 31, 2018 (Actual)	Changes		Original forecast (Feb. 2019)
			Amount	%	
Revenue	1,920.0	1,850.3	+69.7	+3.8	1,970.0
Domestic	635.5	577.3	+58.2	+10.1	626.0
Overseas	1,284.5	1,273.0	+11.5	+0.9	1,344.0
Operating profit	10.4% 200.0	10.2% 189.3	+10.7	+5.6	10.2% 200.0
Profit before income taxes	10.8% 208.0	10.7% 197.2	+10.8	+5.5	10.6% 208.0
Profit attributable to owners of the parent	7.6% 145.0	7.5% 138.6	+6.4	+4.6	7.4% 145.0

For reference: Changes excluding the effects of fluctuation in exchange [-35.0 billion yen]

>Overseas revenue in Machinery is forecast to increase by 4%. Total overseas revenue is forecast to increase by 4%.

Anticipated Operating Profit

For Earth, For Life
Kubota

(Unit: billions of yen)	Year ending Dec. 31, 2019 (Forecast)		Year ended Dec. 31, 2018 (Actual)		Changes	
	Amount	%	Amount	%	Amount	%
Operating profit	200.0	10.4	189.3	10.2	+10.7	+5.6

Factors affecting operating profit (YoY change +10.7 billion yen)

1.Fluctuation in exchange rates	US\$ (110→109 *1) Euro (130→122 *1) Other currencies	-1.5 billion yen -5.5 billion yen -4.0 billion yen	} -11.0 billion yen
--	--	--	----------------------------

2.Foreign exchange gain/loss			+1.0 billion yen
-------------------------------------	--	--	-------------------------

3.Material	Machinery Water	-4.5 billion yen -1.0 billion yen	} -5.5 billion yen
-------------------	--------------------	--------------------------------------	---------------------------

4.Change in sales incentive ratio	North America : +12.0 billion yen, etc.		+12.0 billion yen
--	---	--	--------------------------

5.Impact of increased sales			+20.0 billion yen
------------------------------------	--	--	--------------------------

6.Sales price increase			+15.0 billion yen
-------------------------------	--	--	--------------------------

7.Other			-20.8 billion yen
----------------	--	--	--------------------------

*1: Exchange rates, which affect profit of exported products from Japan in consideration of the period of transportation and inventory, are forecasted as follows: US\$:110→110 Euro:131→124

Anticipated Operating Profit by Reportable Segment

For Earth, For Life


(Unit: billions of yen)		Year ending Dec. 31, 2019 (Forecast)	Year ended Dec. 31, 2018 (Actual)	Changes
Machinery	Revenue	1,560.0	1,527.6	+32.4
	Operating profit	207.0	200.9	+6.1
	OP margin	13.3%	13.2%	+0.1P
Water	Revenue	329.0	292.3	+36.7
	Operating profit	25.0	19.9	+5.1
	OP margin	7.6%	6.8%	+0.8P
Other	Revenue	31.0	30.4	+0.6
	Operating profit	3.0	3.0	-0.0
	OP margin	9.7%	9.9%	-0.2P
Adjustment	Operating profit	-35.0	-34.5	-0.5
Total	Revenue	1,920.0	1,850.3	+69.7
	Operating profit	200.0	189.3	+10.7
	OP margin	10.4%	10.2%	+0.2P

Exchange Rate, CAPEX, Depreciation and R&D Expenses

For Earth, For Life
Kubota

■ Anticipated foreign exchange rate

			Year ending Dec. 31, 2019		Year ended Dec. 31, 2018
			(Forecast)	(Actual)	(Actual)
¥/US\$		1st quarter (Jan.-Mar.)	-	110	108
		2nd quarter (Apr.-Jun.)	-	110	109
		3rd quarter (Jul.-Sept.)	-	107	111
		Sept. YTD (Jan.-Sept.)	-	109	110
		4th quarter (Oct.-Dec.)	108	-	113
		Full year average (Jan.-Dec.)	109	-	110
¥/Euro		1st quarter (Jan.-Mar.)	-	125	133
		2nd quarter (Apr.-Jun.)	-	123	130
		3rd quarter (Jul.-Sept.)	-	119	130
		Sept. YTD (Jan.-Sept.)	-	123	131
		4th quarter (Oct.-Dec.)	120	-	129
		Full year average (Jan.-Dec.)	122	-	130

■ CAPEX, Depreciation and R&D expenses

(Unit: billions of yen)	Year ending Dec. 31, 2019		Year ended Dec. 31, 2018
	(Forecast)	(Original forecast)	(Actual)
Capital expenditures *1	100.0	100.0	64.1
Depreciation and amortization *1	51.0	51.0	49.6
R&D expenses	57.0	60.0	53.8

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

Accompanying Materials

Reference Data (The United States)

■ 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.
2018	0-40hp	+1.6%	+11.6%	+13.1%	+7.3%	+8.3%	+9.7%	+9.2%
	40-120hp	-2.1%	+6.5%	-0.1%	+2.4%	+3.0%	+1.9%	+2.1%
	0-120hp	+0.4%	+10.3%	+8.7%	+5.5%	+6.8%	+7.4%	+7.0%
2019	0-40hp	+9.7%	+4.9%	+6.4%	-	+6.4%	+6.4%	-
	40-120hp	-0.8%	-0.2%	+7.2%	-	-0.4%	+2.2%	-
	0-120hp	+6.3%	+3.6%	+6.6%	-	+4.5%	+5.2%	-

Source: AEM (Association of Equipment Manufacturers)

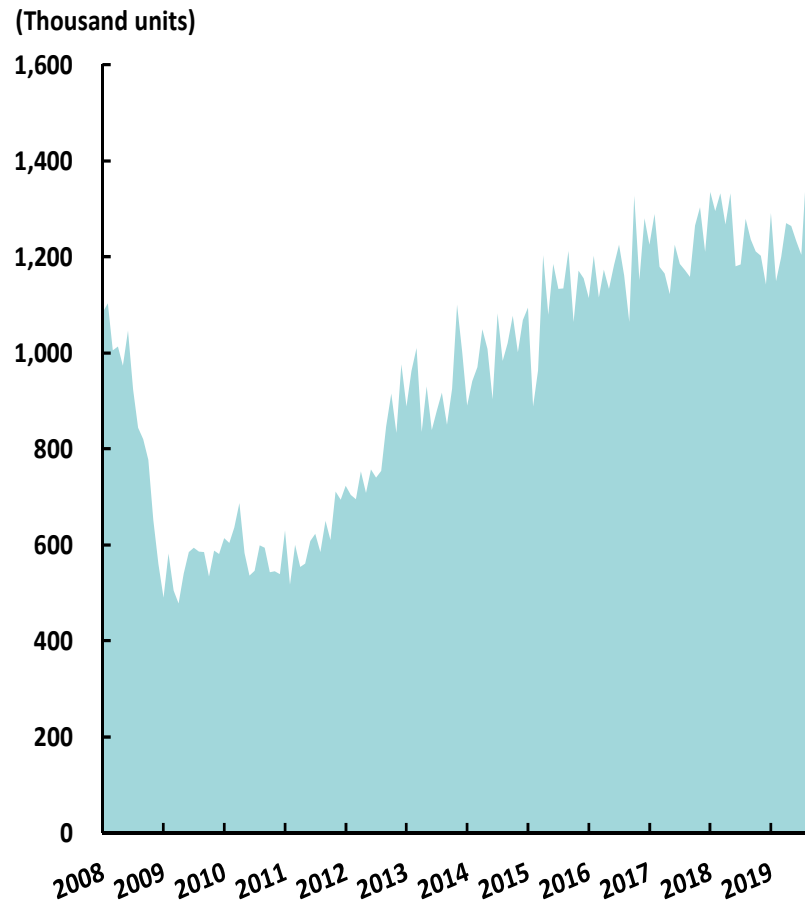
■ YoY growth rate of retail sales units in the mini-excavator market (0-8t)

		Jan.-Mar.	Apr.-Jun.	Jul.-Sept.	Oct.-Dec.	Jan.-Jun.	Jan.-Sept.	Jan.-Dec.
2018		+5.9%	+15.3%	+14.1%	+0.8%	+11.6%	+12.4%	+9.3%
2019		+2.7%	+7.4%	+11.0%	-	+5.6%	+7.4%	-

Source: AEM (Association of Equipment Manufacturers)

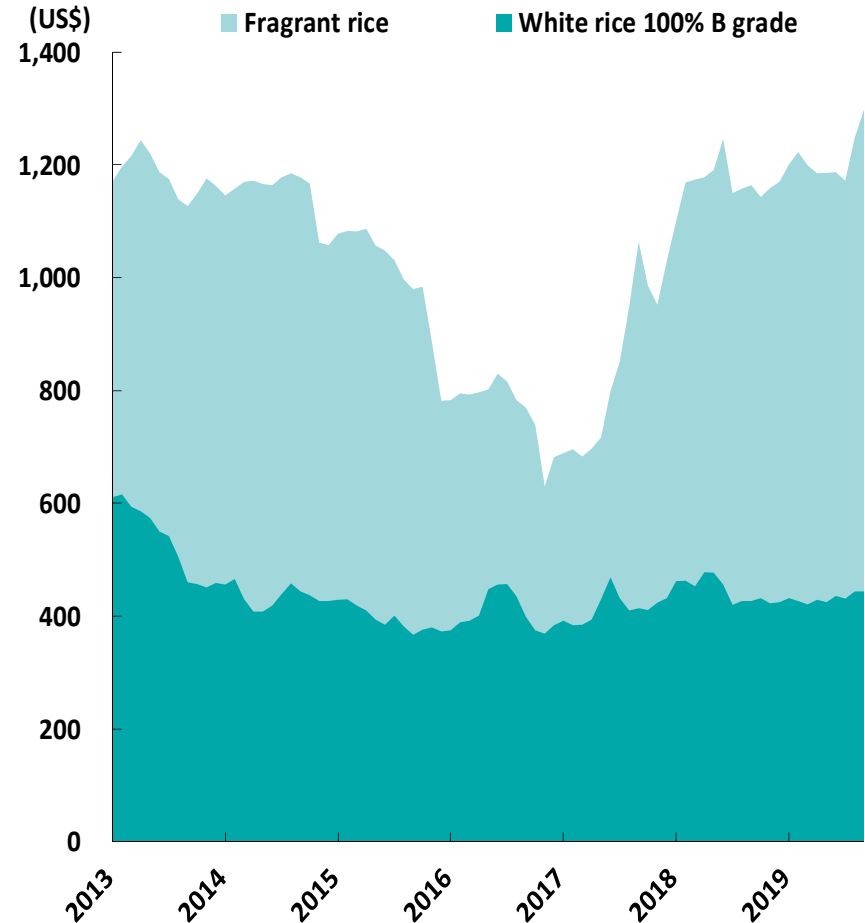
Reference Data (The United States and Thailand)

■ New privately owned housing units started in the U.S. (Seasonally adjusted annual rate)



Source: U.S. Census Bureau

■ Export price of Thai rice (US\$/t)



Source: USDA, Thai Rice Exporters Association

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.



For Earth, For Life
Kubota