For Earth, For Life
Kubota

Financial Results
for the six months ended June 30, 2020

Masato Yoshikawa
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August 7, 2020

ECO FIRST

Financial Summary

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(Unit: billions of yen)		Six months ended June 30, 2020	Six months ended June 30, 2019	Changes	
				Amount	%
Revenue		884.2	970.8	-86.7	-8.9
	Domestic	290.2	310.1	-19.9	-6.4
	Overseas	594.0	660.7	-66.8	-10.1
Operating profit		9.2% 81.7	11.4% 110.9	-29.3	-26.4
Profit before income taxes		9.5% 84.4	11.8% 114.6	-30.2	-26.4
Profit attributable to owners of the parent		6.7% 59.6	8.4% 81.2	-21.6	-26.6

(Unit: billions of yen)	As of June 30, 2020	As of Dec. 31, 2019	Changes	
			Amount	%
Total assets	3,127.9	3,139.3	-11.4	-0.4
Equity attributable to owners of the parent	1,441.5	1,442.8	-1.3	-0.1

Revenue by Reportable Segment

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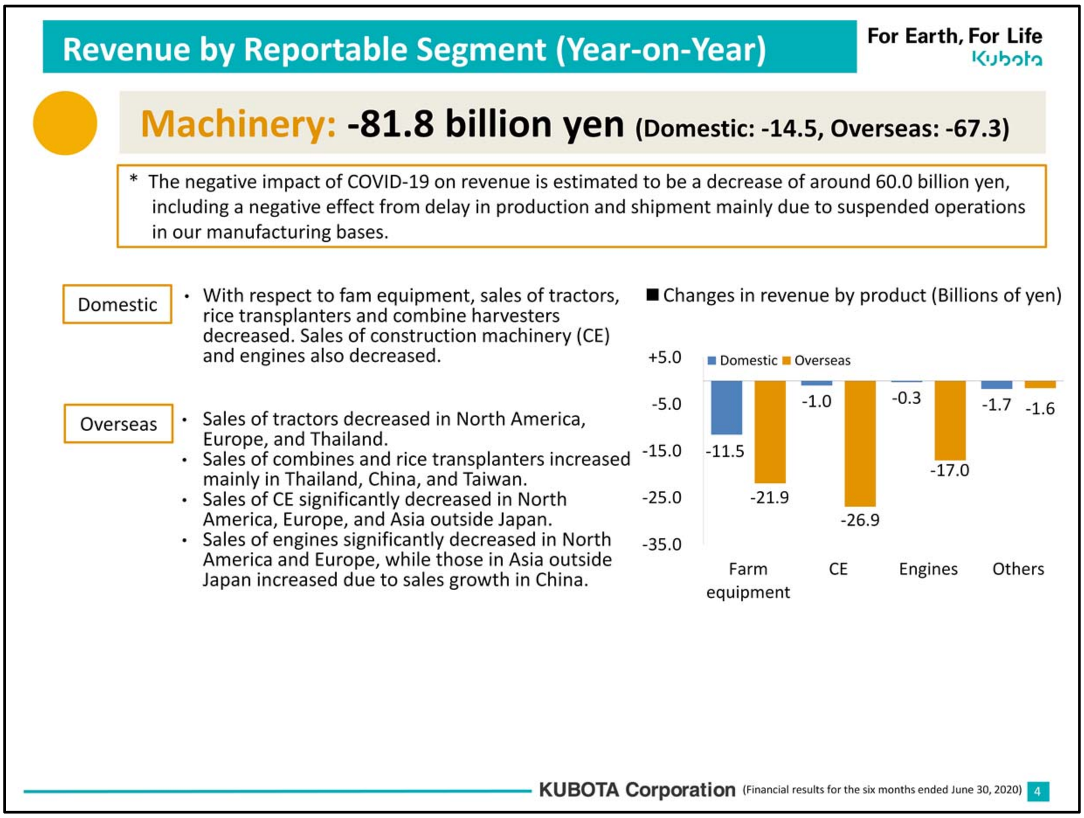
(Unit: billions of yen)		Six months ended June 30, 2020	Six months ended June 30, 2019	Changes	
				Amount	%
Farm & Industrial Machinery (Machinery)		719.0	800.8	-81.8	-10.2
	Domestic	144.6	159.1	-14.5	-9.1
	Overseas	574.4	641.7	-67.3	-10.5
Water & Environment (Water)		150.3	154.1	-3.8	-2.5
	Domestic	130.9	135.3	-4.4	-3.3
	Overseas	19.4	18.8	+0.6	+3.3
Other		14.8	15.9	-1.0	-6.4
	Domestic	14.7	15.7	-1.0	-6.2
	Overseas	0.2	0.2	-0.0	-21.6
Total revenue		884.2	970.8	-86.7	-8.9

Domestic revenue	290.2	310.1	-19.9	-6.4
Overseas revenue	594.0	660.7	-66.8	-10.1

For reference: Changes excluding the effects of fluctuation in exchange [-18.0 billion yen]
>Overseas revenue in Machinery decreased by 8%. Total overseas revenue decreased by 7%.

* Beginning with this fiscal year, in conformity with the change in the internal organization, the amounts related to air-conditioning equipment are reported in Water, whereas they were formerly reported in Machinery. Accordingly, the information for the prior fiscal year was retrospectively adjusted to conform to the current year's presentation.

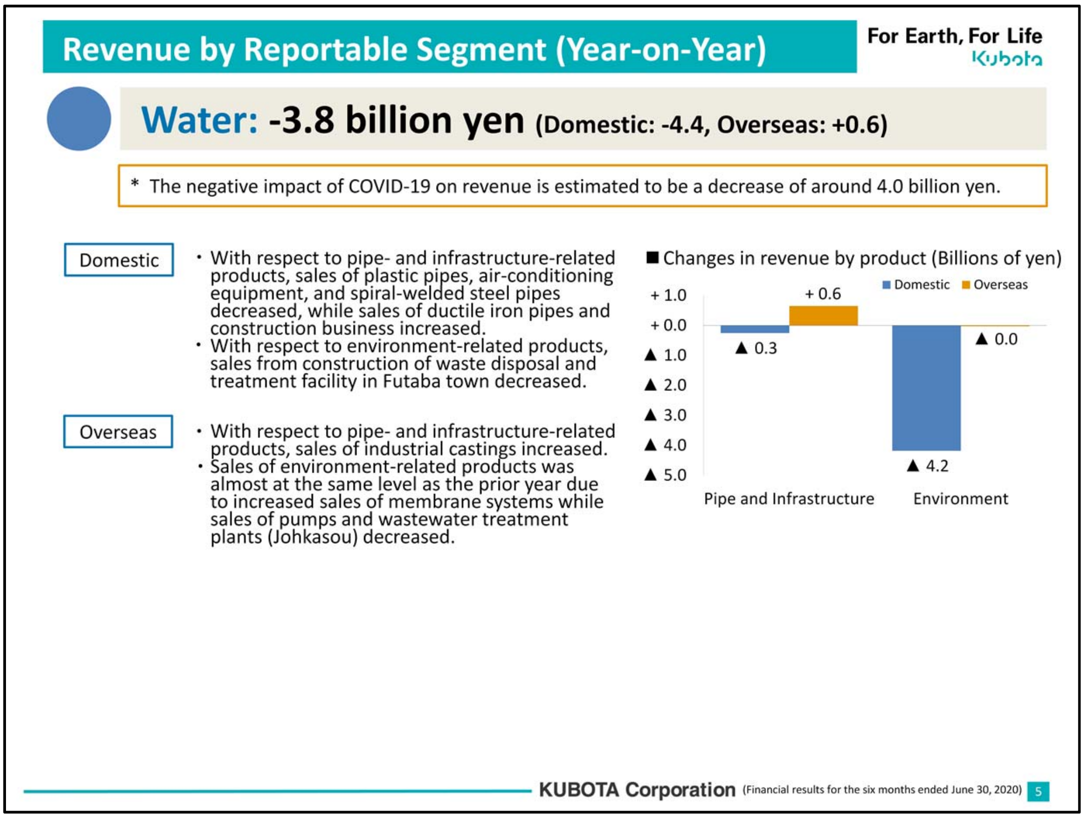


①Domestic revenue in Farm & Industrial Machinery (Machinery)

- Revenue from farm equipment decreased by 11.5 billion yen (-19%) from the previous fiscal year because sales of tractors, rice transplanters, and combine harvesters decreased mainly due to voluntary restraint of sales activities resulting from the infection spread of COVID-19, in addition to adverse reaction from rushed demand before the consumption tax hike in the previous fiscal year.
- Revenue from construction machinery (CE) decreased by 1.0 billion yen (-6%) from the previous fiscal year mainly due to postponed construction work caused by the infection spread of COVID-19, in addition to adverse reaction from rushed demand before the consumption tax hike in the previous fiscal year.
- Revenue from engines decreased by 0.3 billion yen (-3%) from the previous fiscal year mainly due to the inventory adjustment by OEM clients along with the infection spread of COVID-19.
- Revenue from Others decreased by 1.7 billion yen (-2%) from the previous fiscal year mainly due to decreased sales of agricultural-related products.

②Overseas revenue in Machinery

- With respect to farm equipment, revenue from tractors decreased by 25.2 billion yen (-10%) from the previous fiscal year and revenue from rice transplanters and combine harvesters increased by 3.3 billion yen (+10%) from the previous fiscal year.



- Domestic revenue decreased by 4.4 billion yen (-3%).
  - ✓ With respect to pipe- and infrastructure-related products, sales of plastic pipes, air-conditioning equipment, and spiral-welded steel pipes decreased because demand mainly from private sectors was affected by restrictions on sales activities and delay in construction work due to the infection spread of COVID-19. On the other hand, sales of ductile iron pipes increased.
- Overseas revenue increased by 0.6 billion yen (+3%).
  - ✓ With respect to pipe- and infrastructure-related products, sales of industrial castings to Korea increased.

Operating Profit

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(Unit: billions of yen)	Six months ended June 30, 2020		Six months ended June 30, 2019		Changes	
	Amount	%	Amount	%	Amount	%
Operating profit	81.7	9.2	110.9	11.4	-29.3	-26.4

Factors affecting operating profit (YoY change -29.3 billion yen)

1.Fluctuation in exchange rates	US$ (110→108 *1) Euro (124→119 *1) Other currencies	-3.5 billion yen -2.0 billion yen -2.5 billion yen	**-8.0** billion yen
2.Foreign exchange gain/loss			**+0.2** billion yen
3.Material	Machinery Water	+3.0 billion yen +1.5 billion yen	**+4.5** billion yen
4.Change in sales incentive ratio	North America : +1.8 billion yen etc.		**+1.8** billion yen
5.Impact of increased or decreased sales			**-22.5** billion yen
6.Sales price increase			**+4.0** billion yen
7.Other			**-9.3** 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$:112→109 Euro:127→120

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- Change in sales incentive ratio (+1.8 billion yen)
  - ✓ This positive impact was due to significantly declined interest rates, while intense competition continued and strong incentive programs were maintained in the U.S.
- Other (-9.3 billion yen)
  - ✓ This decrease was mainly because a deterioration in profitability of products, which were shipped in this fiscal year, in our manufacturing bases caused by a reduction in production in the 4th quarter of the previous fiscal year, affected operating profit negatively by 8.7 billion yen.
  - ✓ We temporarily suspended operations in domestic and overseas manufacturing bases in the 2nd quarter of this fiscal year, and the recognition of fixed costs during this period as one-time expenses affected operating profit negatively by 2.4 billion yen.
  - ✓ In addition, some negative impacts from increased fixed costs such as personnel expenses (-4.3 billion yen), selling and manufacturing expenses (-2.3 billion yen) were offset by some positive impacts from a decrease in costs for air transportation of engines (+2.1 billion yen), gain on sales of fixed assets associated with the relocation of headquarters in Canada (+2.4 billion yen), and other improvements.

Operating Profit by Reportable Segment

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(Unit: billions of yen)		Six months ended June 30, 2020	Six months ended June 30, 2019	Changes
Machinery	Revenue	719.0	800.8	-81.8
	Operating profit	87.1	116.2	-29.1
	OP margin	12.1%	14.5%	-2.4P
Water	Revenue	150.3	154.1	-3.8
	Operating profit	9.9	10.7	-0.8
	OP margin	6.6%	7.0%	-0.4P
Other	Revenue	14.8	15.9	-1.0
	Operating profit	1.5	1.6	-0.1
	OP margin	10.3%	10.2%	+0.1P
Adjustment	Operating profit	-16.9	-17.7	+0.7
Total	Revenue	884.2	970.8	-86.7
	Operating profit	81.7	110.9	-29.3
	OP margin	9.2%	11.4%	-2.2P

* Beginning with this fiscal year, in conformity with the change in the internal organization, the amounts related to air -conditioning equipment are reported in Water, whereas they were formerly reported in Machinery. Accordingly, the information for the prior fiscal year was retrospectively adjusted to conform to the current year's presentation.

- Operating profit in Machinery decreased due to some negative effects from significantly decreased revenue in the domestic and overseas markets and a deterioration in profitability of products, which were shipped in this fiscal year, in its manufacturing bases, while there were some positive effects from raised product prices and declined material prices.
- Operating profit in Water decreased mainly due to decreased revenue in the domestic market and increased construction costs of plant.

Profit Before Income Taxes/ Profit for the Period

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(Unit: billions of yen)	Six months ended June 30, 2020		Six months ended June 30, 2019		Changes	
	Amount	%	Amount	%	Amount	%
Profit before income taxes	84.4	9.5	114.6	11.8	-30.2	-26.4
Profit for the period	65.2	7.4	86.7	8.9	-21.6	-24.9
Profit attributable to:						
Owners of the parent	59.6	6.7	81.2	8.4	-21.6	-26.6
Noncontrolling interests	5.6	0.7	5.5	0.5	+0.0	+0.8

		Year ending Dec. 31, 2020	Year ended Dec. 31, 2019	Changes
Dividend per common share	Interim	17 yen	17 yen	±0 yen
	Year-end	(Undecided)	19 yen	-
	Total	(Undecided)	36 yen	-

〈Basic policy for the return of profit〉
Payout ratio: 30% as a target　Shareholder return ratio: over 30%

- We established the program of purchasing own shares not exceeding 20.0 billion yen. (Term of validity: From April 20, 2020 to December 14, 2020)
- We have already purchased about 7.0 billion yen of own shares as of July 31,2020.

- On August 6, we purchased about 3.42 million own shares (about 5.5 billion yen) through the Tokyo Stock Exchange Trading Network Off-Auction Own Share Repurchase Trading System.

Statement of Financial Position (Assets)

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(Unit: billions of yen)	As of June 30, 2020	As of Dec. 31, 2019	Changes	Changes ex the effects of fluctuation in exchange
Current assets	1,728.4	1,718.9	+9.5	
Cash and cash equivalents	250.7	199.7	+51.0	
Trade receivables	656.8	682.6	-25.8	-14.0
Finance receivables	308.3	293.9	+14.4	
Inventories	368.7	382.4	-13.7	-7.0
Other	143.9	160.3	-16.3	
Noncurrent assets	1,399.5	1,420.4	-21.0	
Finance receivables	721.6	699.2	+22.3	
Other	677.9	721.2	-43.3	
Total assets	3,127.9	3,139.3	-11.4	
Total finance receivables	1,029.9	993.2	+36.7	+65.0

<Reference> Foreign exchange rate at the end of the term (yen)

U.S. dollar	108	110	-2
Euro	121	123	-2

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- Cash and cash equivalents increased mainly due to the acceleration of funding in preparation for the growing demand for funds caused by the infection spread of COVID-19 and sales of securities.
- On a local currency basis, trade receivables decreased by 14.0 billion yen, and inventories decreased by 7.0 billion yen.
  - ✓ Both of them decreased because production volume decreased along with temporarily suspended operations in manufacturing bases and shipment from our sales subsidiaries to dealers was delayed due to the infection spread of COVID-19.
- Total current and noncurrent finance receivables increased by 65.0 billion yen on a local currency basis.
  - ✓ Finance receivables increased mainly in North America, where retail sales were strong.
  - ✓ As for the collection status of finance receivables, although we had temporarily granted a grace period for repayment in response to lockdown, the situation has currently returned to normal and remained favorable.
- *Other* of noncurrent assets decreased by 43.3 billion yen mainly due to sales of securities.

Statement of Financial Position (Liabilities)

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(Unit: billions of yen)	As of June 30, 2020	As of Dec. 31, 2019	Changes	Changes ex the effects of fluctuation in exchange
Current liabilities	935.6	1,001.7	-66.2	
Bonds and borrowings	364.6	386.5	-22.0	
Trade payables	244.7	293.8	-49.1	
Other	326.3	321.4	+4.9	
Noncurrent liabilities	657.2	600.4	+56.8	
Bonds and borrowings	592.5	516.4	+76.1	
Other	64.6	83.9	-19.3	
Total liabilities	1,592.7	1,602.1	-9.4	
Total interest-bearing liabilities	957.1	903.0	+54.1	+74.0
Net debt equity ratio	0.49	0.49	+0.00	
Net debt equity ratio (ex financial services)	-0.19	-0.14	-0.05	

- Total current and noncurrent interest-bearing liabilities increased by 74.0 billion yen on a local currency basis.
  - ✓ Interest-bearing liabilities increased due to the acceleration of funding, in addition to an increase in North America resulting from increased finance receivables.

Statement of Financial Position (Equity)

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(Unit: billions of yen)	As of June 30, 2020	As of Dec. 31, 2019	Changes
Equity attributable to owners of the parent	1,441.5	1,442.8	-1.3
Noncontrolling interests	93.7	94.4	-0.7
Total equity	1,535.2	1,537.2	-2.0

Ratio of equity attributable to owners of the parent to total assets	46.1%	46.0%	+0.1P

Statement of Cash Flows

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(Unit: billions of yen)	Six months ended June 30, 2020	Six months ended June 30, 2019	Changes
Net cash provided by operating activities	49.5	50.9	-1.4
Increase in finance receivables	-63.5	-34.1	-29.4
Other	113.0	84.9	+28.0
Net cash used in investing activities	-30.4	-64.6	+34.2
Payments for acquisition of property, plant, and equipment and intangible assets	-38.4	-51.7	+13.3
Other	8.0	-12.9	+20.9
Net cash provided by financing activities	36.2	6.5	+29.7
Effect of exchange rate changes on cash and cash equivalents	-4.3	-1.1	-3.2
Net increase (decrease) in cash and cash equivalents	51.0	-8.4	+59.4
Free cash flow	11.1	-0.8	+11.9
Free cash flow (excluding the chenges in finance receivables)	74.5	33.2	+41.3

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- Net cash provided by operating activities
  - ✓ Total amount of cash inflow from profit for the period and depreciation and amortization was 98.3 billion yen. Cash outflow caused by an increase in finance receivables was 63.5 billion yen and cash inflow from other items was 14.7 billion yen.
  - ✓ Net cash provided by operating activities decreased by 1.4 billion yen from the previous fiscal year due to decreased profit for the period and a expansion of increased amount of finance receivables despite a decrease in cash outflow caused by changes in working capital resulting from a decrease in trade receivables and inventories.

Financial Services <Reference (unaudited)>

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Statement of Financial Position

(Unit: billions of yen)	As of June 30, 2020		As of Dec. 31, 2019	
	Financial servicies	Equipment operations	Financial servicies	Equipment operations
Total assets	1,216.1	1,951.8	1,181.2	2,048.2
Cash and cash equivalents	20.5	230.1	19.8	179.8
Trade receivables	36.9	621.6	29.3	655.7
Finance receivables	1,029.9	-	993.2	-
Inventories	-	368.7	-	382.4
Property, plant, and equipment	0.4	392.6	0.5	404.9
Other	128.4	338.8	138.4	425.4
Total liabilities	1,026.2	589.0	996.5	678.6
Total interest-bearing liabilities	963.1	-	938.0	-
Other	63.2	589.0	58.4	678.6
Total equity	189.8	1,362.8	184.7	1,369.7

Statement of Profit or Loss (Financial Services)

(Unit: billions of yen)	Six months ended June 30, 2020	Six months ended June 30, 2019	Changes	
	Amount	Amount	Amount	%
Revenue	38.0	36.3	+1.7	+4.6
Operating profit	39.8% 15.1	37.1% 13.5	+1.6	+12.2
Profit attributable to owners of the parent	23.9% 9.1	22.5% 8.2	+0.9	+11.4

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- A debt-free status was maintained in equipment operations.
- Profitability in financial services also maintained at the relatively high level.

Recent Developments In Machinery

Recent Developments in Machinery (U.S.)

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U.S. **The number of dealers which suspended operations was limited, and retail sales of tractors and CE were strong. On the other hand, wholesales decreased due to adverse reaction from carryover of shipment from the fiscal 2018 to 1st half of the fiscal 2019 and delay in production and shipment.**

Tractors / RS
Sales of compact tractors increased due to favorable weather in major regions and special demand caused by stay-at-home lifestyle along with stay-at-home order. Sales of medium-sized tractors increased mainly due to increased market share resulting from introduction of a new model, which had been strongly demanded by dealers. Sales of large-sized tractors increased due to increased market share although the demand was almost at the same level as the prior year.

CE / RS
Rental companies continued to be cautious about investment due to uncertainty about outlook along with the infection spread of COVID-19. On the other hand, demand by general customers, where we have strengths, increased due to the sufficient volume of construction work. In addition, the negative impact of COVID-19 was relatively minor in suburban regions where our dealers are located. As a result, sales of mini-excavators and CTL increased. Sales of SSL decreased due to the shrunk demand.

Dealer inventories
We had intention to curb dealer inventories amid a lot of uncertain factors. However, dealer inventories decreased to 4.7 months (a decrease of 1.8 months from the prior fiscal year-end and a decrease of 1.3 months from the end of June in the prior year) because retail sales in the high demand season during spring were significantly higher than our anticipation and production and shipment delayed due to temporarily suspended operation in manufacturing bases.

Engines / WS
Sales decreased mainly due to suspended operations by OEM clients caused by the infection spread of COVID-19.

* RS: Retail sales, WS: Wholesale

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[1st half Results]
- Uncertainty about outlook for the U.S. economy is increasing due to the revived infection spread of COVID-19 and the upcoming presidential election. In addition, stock markets remain unstable.
- As for our business, the number of dealers which suspended operations along with the infection spread of COVID-19 was limited, and retail sales of tractors and CE were very strong.

①Tractors (retail sales)
- Market conditions
  - ✓ Demand for compact tractors (0-40hp), mainly for home owners, expanded by 13% from the previous fiscal year, and demand for medium-sized tractors (40-120hp) expanded by 7% from the previous fiscal year steadily.
  - ✓ Although the demand temporarily shrank in the 1st quarter of this fiscal year due to the infection spread of COVID-19, demand of products for consumers, including lawn mowers and UVs, expanded significantly mainly because weather was favorable in major regions and special demand caused by stay-at-home lifestyle emerged in response to voluntary restraint of going out resulting from the infection spread of COVID-19, in addition to a positive effect of adverse reaction from the shrunk market since April.
  - ✓ On the other hand, among the medium-sized tractors (40-120hp), demand for 60-120hp tractors, which are mainly for agricultural market, was almost at the same level as the previous fiscal year due to uncertainty about outlook caused by decreased demand for agricultural products to restaurant industry.
  - ✓ Demand for large-sized tractors (120-160hp) was almost at the same level as the previous fiscal year due to uncertainty about outlook for the agricultural market, which was same as the situation of 60-120hp tractors, while it was on a recovery track in the previous fiscal year.
- Retail sales of tractors increased by 9% from the previous fiscal year.
  - ✓ Retail sales of compact tractors increased significantly due to expanded demand, while the competitive environment continued to be severe.
  - ✓ Retail sales of medium-sized tractors increased more than the market mainly due to increased market share caused by introduction of a new model, which had been strongly demanded by dealers.
  - ✓ Retail sales of large-sized tractors also increased due to increased market share.
- Retail sales of lawn mowers and UVs were strong mainly due to expanded demand to consumers and the positive impact of introduction of a new model of lawn mowers.

②CE (retail sales)
- Market conditions
  - ✓ Construction work had temporarily postponed due to stay-at-home order caused by the infection spread of COVID-19. However, it has gradually recovered to normal levels as economic activities resumed.
  - ✓ In the market, rental companies continued to be cautious about investment and sales to their segment continued to decrease. However, sales to general customers segment increased because contractors maintained the sufficient volume of construction work. As a result, demand for mini-excavators and CTL were almost at the same level as the previous fiscal year.
  - ✓ On the other hand, demand for SSL, which is used in the agricultural market sometimes, decreased significantly due to uncertainty about agricultural market caused by the infection spread of COVID-19.
- Total retail sales increased by 10% from the previous fiscal year.
  - ✓ Although retail sales of SSL decreased due to shrunk demand, our market share of mini-excavators and CTL grew significantly mainly due to the relatively minor impact of COVID-19 in suburban regions, where our dealers are located, and the positive impact of new models introduced in the previous fiscal year, in addition to expanded demand in general customer segment where we have strengths.

[Continued on next page]

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.-Dec.
2019	0-40hp	+9.7%	+4.9%	+6.4%	-0.1%	+6.4%	+5.0%
	40-120hp	-0.8%	-0.2%	+7.2%	-4.1%	-0.4%	+0.5%
	120-160hp	-5.7%	+2.3%	+16.6%	-0.4%	-1.0%	+3.3%
2020	0-40hp	-8.9%	+24.0%	-	-	+13.3%	-
	40-120hp	-5.1%	+13.9%	-	-	+6.5%	-
	120-160hp	-14.1%	+9.2%	-	-	-0.1%	-

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.-Dec.
2019	+2.7%	+7.4%	+11.0%	+25.0%	+5.6%	+11.7%
2020	+4.5%	-4.4%	-	-	-1.0%	-

Source: AEM (Association of Equipment Manufacturers)

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

	Jan.-Mar.	Apr.-Jun.	Jul.-Sept.	Oct.-Dec.	Jan.-Jun.	Jan.-Dec.
2019	+4.6%	+6.4%	+9.9%	+9.2%	+5.7%	+7.7%
2020	+2.2%	-0.1%	-	-	+0.8%	-

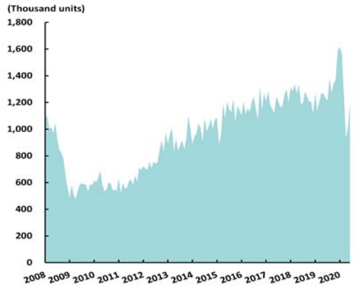
Source: AEM (Association of Equipment Manufacturers)

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

	Jan.-Mar.	Apr.-Jun.	Jul.-Sept.	Oct.-Dec.	Jan.-Jun.	Jan.-Dec.
2019	-8.9%	-9.1%	-14.0%	-1.2%	-9.0%	-7.4%
2020	-10.9%	-23.6%	-	-	-18.0%	-

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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[Continued from page 15]
③Tractors and CE (Wholesale)
- Wholesales of tractors and CE, linked with to our revenue, decreased significantly due to delay in production and shipment caused by suspended operations in manufacturing bases along with the infection spread of COVID-19. In addition, there was a negative effect of adverse reaction from shipment of some products, which were carried over from the FY2018 to the 1st quarter of FY2019 due to some negative effects mainly from typhoon.

④Dealer inventories
- We had intention to curb dealer inventories amid a lot of uncertain factors for the next fiscal year and beyond, such as the revival of the infection spread of COVID-19, the Presidential Election, and the intensification of a U.S.-China conflict. However, very large gap between volume of retail sales and wholesales appeared because retail sales in the high demand season during spring were significantly higher than our anticipation. As a result, dealer inventories decreased to 4.7 months (a decrease of 22 thousand units and1.8 months from the prior fiscal year-end and a decrease of 14 thousand units and 1.3 months from the end of June in the previous fiscal year).
- Wholesales are not expected to catch up retail sales completely in this fiscal year because it is expected to take some time to increase production, including an increase in parts procurement. However, the gap between retail sales and wholesale is expected to be narrow gradually from the 2nd half of this fiscal year and dealer inventories are expected to recover to about 5.3 months (an increase of 12 thousand units from the end of June in this fiscal year) at this fiscal year-end.
- Compared with the previous fiscal year-end, this is a very low level and a decrease of 11 thousand units (a decrease of 1.2 months). It is assumed that there will be no major negative impact on retail sales, although inventory management will be required.

⑤Engines
- Sales of engines decreased significantly mainly due to suspended operations and reduced production by OEM clients caused by the infection spread of COVID-19 and a deterioration in oil and gas market.

[Forecasts for 2nd half]
- Retail sales of tractors and lawn mowers are expected to remain strong mainly due to special demand caused by stay-at-home lifestyle and continuously favorable weather, while uncertainty is expected to continue.
- Retail sales of medium-sized tractors are also expected to keep an increasing trend due to the positive impact of introduction of a new model.
- Retail sales of CE are expected to keep an increasing trend because volume of construction work remains at a high level and the housing market is on a recovery trend.
- Sales of engines are expected to continue to be severe mainly due to a reduction in production by major OEM clients.
- In the 2nd half of this fiscal year, revenue in North America is also expected to decrease from the previous fiscal year mainly because production and shipment are not expected to catch up with retail sales completely and sales of engines are expected to decrease.

Recent Developments in Machinery (Europe)

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Europe **Currently, demand for tractors and CE shows a recovery trend along with the resumption of economic activities. However, retail sales and wholesales significantly decreased because many dealers suspended sales activities caused by lockdown.**

Tractors / RS	Sales of compact tractors significantly decreased because we could not enjoy the high demand season during spring mainly due to suspended operations by dealers resulting from lockdown. Sales of large-sized tractors decreased because uncertainty about outlook for agricultural market was heightened due to stagnation in restaurant industry caused by the infection spread of COVID-19.
Implements / WS	As with the situation of large-sized tractors, sales decreased due to uncertainty about outlook for agricultural market.
CE / RS	Demand showed a gradual recovery trend along with the resumption of economic activities. However, sales decreased due to postponed construction work along with stay-at-home orders and diminished motivation for investment by contractors resulting from uncertainty about outlook for the economy.
Engines / WS	Sales significantly decreased due to suspended manufacturing activities and reduced production by OEM clients caused by the infection spread of COVID-19.

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[1st half Results]
- Currently, demand shows a recovery trend due to the resumption of economic activities. However, many dealers and sales subsidiaries were restricted from operating activities from the latter half of the 1st quarter to the 1st half of the 2nd quarter due to lockdown in each country caused by the infection spread of COVID-19, and the business environment was severe.

①Tractors
- Retail sales of tractors decreased significantly from the previous fiscal year mainly due to suspended operations by dealers caused by the infection spread of COVID-19 and uncertainty about outlook for agricultural market along with stagnation in restaurant industry.

②Implements
- Sales of implements from Kverneland also decreased.

③CE
- Retail sales of CE decreased mainly due to suspended construction work and diminished motivation for investment by contractors.

④ Engines
- Sales of engines significantly decreased due to suspended manufacturing activities and reduced production by OEM clients.

[Forecasts for 2nd half]
- Demand for tractors is expected to continue a downward trend mainly due to uncertainty about outlook for agricultural market caused by the infection spread of COVID-19, while the pace of shrinking is expected to be slow along with the resumption of economic activities.
- Demand for CE is also expected to continue a downward trend because the pace of recovery along with the resumption of construction work is expected to be moderate.
- Demand for engines is expected to recover gradually along with the resumption of production by OEM clients and turn to a year-on-year increase in the 4th quarter of this fiscal year.

Recent Developments in Machinery (Asia)

For Earth, For Life
Kubota

Thailand and neighboring countries

Retail sales of tractors decreased due to water shortage during the 1st half of this year, while the situation has gradually improved since the rainy season. Wholesales significantly decreased due to adjustment of dealer inventories which had increased resulting from stagnated retail sales in the end of the prior year.

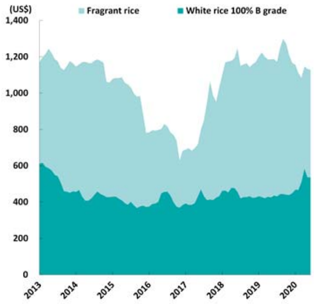
Tractors / RS
Sales of tractors used in rice cropping-market increased due to stable prices of jasmine rice and glutinous rice at a high level. Sales of tractors used in dry-field cropping-market decreased mainly due to reduced crop yields caused by water shortage and declined prices of sugar cane. As a result, sales of tractors as a whole decreased. Dealer inventories in Thailand decreased by 1.1 months from the prior fiscal year-end by controlling wholesales and adjusting dealer inventories.

Combines / RS
Sales significantly increased due to stable prices of rice at a high level.

CE / RS
Sales decreased due to postponed construction work caused by the infection spread of COVID-19.

Neighboring countries / RS
Sales in Cambodia increased due to expanded demand for dry-field cropping-market, such as cassava. Sales in Myanmar increased due to easing of depreciation of the local currency against the U.S. dollar, which had been the reason of stagnated sales, and declined interest rates.

■ Export price of Thai rice (US$/t)



Source: USDA, Thai Rice Exporters Association

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[1st half Results]
①Tractors (Thailand)
- Currently, demand for tractors, which was sluggish in the 1st half of this fiscal year due to water shortage, shows a recovery trend because water shortage has gradually improved due to rainfall during rainy season.
- Retail sales of tractors used in rice cropping-market increased due to stable prices of jasmine rice and glutinous rice at a high level, in addition to easing concerns about weather conditions. However, retail sales of tractors used in dry-field cropping-market decreased mainly due to reduced crop yields caused by water shortage since the previous fiscal year and declined prices of sugar cane. As a result, retail sales of tractors as a whole decreased by 9% from the previous fiscal year.
- Retail sales in the 4th quarter of the previous fiscal year did not progress as expected due to water shortage, and dealer inventories at the prior fiscal year-end increased. Therefore, wholesales decreased more than the decrease in retail sales due to adjustment of dealer inventory, and revenue in Thailand decreased significantly.

②Combine harvesters (Thailand)
- Retail sales increased significantly due to stable prices of rice at a high level.

③CE (Thailand)
- Retail sales decreased significantly due to suspended construction work and uncertainty about outlook for the economy along with the infection spread of COVID-19.

④Neighboring countries
- In Cambodia, retail sales of tractors increased due to stable prices of cassava at a high level. On the other hand, retail sales of combine harvesters decreased because income of contractors decreased due to a decrease in the planting areas for double cropping of rice resulting from water shortages.
- In Myanmar, retail sales of tractors increased mainly due to gradually easing of depreciation of the local currency against the U.S. dollar, which had been the reason of stagnated sales in recent years, and declined loan interest rates caused by a reduction in interest rates by the central bank.

[Forecasts for 2nd half]
- Retail sales in this fiscal year is expected to be almost at the same level as the previous fiscal year because retail sales in the 2nd half of this fiscal year are expected to be an upward trend from the previous fiscal year due to favorable rainfall during rainy season and establishment of subsidies for collective farmers.
- Although dealer inventories have already decreased to an extremely low level, we will keep wholesales at the same level as retail sales and maintain the low level of inventories in the 2nd half of this fiscal year. As a result, wholesales in this fiscal year in Thailand are expected to decrease from the previous fiscal year, when wholesales exceeded retail sales.
- In Cambodia, sales of tractors are expected to remain strong due to strong sales for cassava farmers. In Myanmar, demand is also expected to continue to be strong.
- Total revenue in the 2nd half of this fiscal year in Thailand and the three neighboring countries is expected to increase on a local currency basis. However, this increase is not expected to be able to compensate for decreased revenue in the 1st half of this fiscal year because we intend to maintain inventories at a low level. As a result, total revenue in this fiscal year is expected to decrease from the previous fiscal year.

Recent Developments in Machinery (Asia)

For Earth, For Life
Kubota

China

Budgeted government subsidies for purchasers of farm equipment have not been determined, but are expected to decrease slightly or be at the same level compared with the prior year. Demand for farm equipment has recovered gradually from the slump caused by the infection spread of COVID-19 since the second quarter of this year. Competition in CE market is intensifying, while demand for CE and engines has also recovered sharply.

Tractors / RS
Sales decreased mainly due to delay in supply caused by suspended operation, although 70-99 hp market, where we have entered, is expanding due to development of a shift in demand to higher-horsepower equipment.

Combines / RS
Although demand for general-purpose combine harvesters decreased, sales were almost at the same level as the prior year due to a positive impact from introduction of new models, which have higher horsepower and higher processing capacity.

Rice transplanters / RS
Sales of riding rice transplanters increased due to additional subsidies for purchasers of them, while there was a negative effect from delay in supply caused by suspended operation.

CE / RS
Sales decreased due to offensive pricing by local and foreign manufactures mainly in market of 5t or more excavators although demand is expanding due to economic stimulus measures by the government and the resumption of economic activities.

Engines / WS
Sales for construction and industrial machinery were strong due to economic stimulus measures.

■ Budgeted government subsidies for purchasers of farm equipment

(Unit: billions of RMB)		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Subsidies	1st stage	-	11.0	13.0	20.0	17.0	21.0	22.8	18.6	18.6	18.0	Undecided
	Full year	15.5	17.5	21.5	21.8	23.8	23.8	23.7	18.6	18.6	18.0	Undecided

[1st half Results]
①Farm equipment

- Budgeted government subsidies for purchasers of farm equipment have not been announced in a province and the total amount has not been determined, but are expected to decrease slightly or be at the same level as the previous fiscal year.
- Demand for farm equipment decreased significantly in the 1st quarter of this fiscal year due to a negative impact of restricted operations in dealers and sales subsidiaries caused by the infection spread of COVID-19. However, the demand has recovered since the 2nd quarter mainly due to adverse reaction from the rapid decrease of the demand in the 1st quarter.
- As for retail sales of farm equipment, retail sales of tractors decreased, retail sales of combine harvesters were almost at the same level as the previous fiscal year, and retail sales of riding rice transplanters increased.
- The decrease in retail sales of tractors was due to delay in production and shipment during the high demand season in spring. It is because that manufacturing bases suspended operations along with the infection spread of COVID-19. On the other hand, demand for tractors with 70-99 hp, where we have entered, increased due to development of a shift in demand to higher-horsepower equipment.
- Retail sales of general-purpose combine harvesters were almost at the same level as the previous fiscal year due to introduction of new models with higher horsepower and higher processing capacity, while supply shortage continued due to the infection spread of COVID-19.
- With regard to rice transplanters, a shift in demand from walk-behind rice transplanters to riding rice transplanters was proceeding because additional subsidies were granted to promote mechanization along with the restricted movement and the difficulty of securing human resources. As a result, retail sales of walk-behind rice transplanters decreased and sales of riding rice transplanters increased.

②CE

- Demand for CE has recovered rapidly since the 2nd quarter of this fiscal year mainly due to economic stimulus measures by the government.
- Retail sales decreased due to offensive pricing by local manufacturers and some foreign manufacturers which followed them.

③Engines

- Sales of engines increased significantly due to rapidly recovered demand for construction and industrial machinery.

[Forecasts for 2nd half]

- Demand for farm equipment is expected to keep a recovery trend.
- Revenue from farm equipment in the 2nd half of this fiscal year is also expected to increase due to sales expansion of new models of general-purpose combine harvesters introduced in this fiscal year.
- Revenue from CE in the 2nd half of this fiscal year is expected to increase mainly in 0-4 t excavators. However, revenue in this fiscal year is expected to decrease from the previous fiscal year because this increase will not be able to offset the decrease in the 1st half of this fiscal year.
- Sales of engines mainly for construction and industrial machinery is expected to continue to be strong.

Recent Developments in Machinery (Japan)

For Earth, For Life
Kubota

Japan

Sales of farm equipment decreased mainly due to adverse reaction from rushed demand before the consumption tax hike in the prior year and voluntary restraint of sales activities resulting from the infection spread of COVID-19. Sales of CE and engines decreased due to declined demand for construction and industrial machinery.

Farm equipment / RS

Sales of tractors, combine harvesters, and rice transplanters decreased because demand decreased manly due to voluntary restraint of sales activities, such as participation in large trade shows, and declined demand for agricultural products to restaurant industry resulting from the infection spread of COVID-19, in addition to adverse reaction from rushed demand before the consumption tax hike in the prior year.

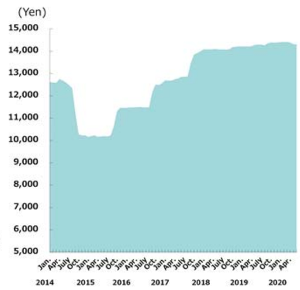
CE / RS

Sales decreased mainly due to postponed construction work caused by the infection spread of COVID-19, in addition to adverse reaction from rushed demand before the consumption tax hike and a deadline of the application for tax incentives.

Engines / WS

Sales decreased mainly because OEM clients decreased their production volume along with the infection spread of COVID-19 and demand for construction and industrial machinery, which are end products equipped with engines, decreased as well.

■ Producers' price of Japanese rice (yen/ 60kg)



Source: Ministry of Agriculture, Forestry and Fisheries

KUBOTA Corporation (Financial results for the six months ended June 30, 2020) 20

[1st half Results]
①Farm equipment

- Demand for tractors, combine harvesters, and rice transplanters shrank due to adverse reaction from rushed demand before the consumption tax hike in the previous fiscal year and voluntary restraint of sales activities resulting from the infection spread of COVID-19.
- Retail sales of tractors, combine harvesters, and rice transplanters decreased due to the significantly decreased demand.
- Our market share of tractors declined slightly due to adverse reaction from increased sales of tractors in the previous fiscal year resulting from introduction of new models. However, our market share of combine harvesters and rice transplanters increased mainly due to introduction of new models.

②CE

- Retail sales of CE decreased because demand for CE shrank mainly due to suspended construction work and restricted sales activities caused by the infection spread of COVID-19.

③Engines

- Sales of engines decreased mainly due to a reduction in production volume by OEM clients and conservative buying by rental companies in the market of end-products.

[Forecasts for 2nd half]

- Sales of farm equipment are expected to continue to decrease from the previous fiscal year because the negative impact from voluntary restraint of trade shows and events is expected to continue. We aim to further expand our market share by holding virtual exhibitions, even as large trade shows are restricted.
- Sales of CE is expected to continue to decrease from the previous fiscal year mainly due to continuously curbed capital expenditure in the private sectors and voluntary restraint of sales activities.
- A decline rate in sales of engines in the 2nd half of this fiscal year is expected to be larger than that in the 1st half of this fiscal year.

Forecast

Anticipated Operating Results

For Earth, For Life
Kubota

(Unit: billions of yen)		Year ending Dec. 31, 2020 (Forecast)	Year ended Dec. 31, 2019 (Actual)	Changes	
				Amount	%
Revenue		1,780.0	1,920.0	-140.0	-7.3
	Domestic	585.5	625.4	-39.9	-6.4
	Overseas	1,194.5	1,294.6	-100.1	-7.7
Operating profit		8.4% 150.0	10.5% 201.7	-51.7	-25.6
Profit before income taxes		8.7% 155.0	10.9% 209.0	-54.0	-25.8
Profit attributable to owners of the parent		6.2% 110.0	7.8% 149.1	-39.1	-26.2

- As of the announcement of the result of operation in the 1st quarter of this fiscal year, we did not announce the forecasts for the year ending December 31, 2020, as it was difficult to calculate the reasonable forecasts. However, we have announced the forecasts based on the information available at the present time and its business trends in the 2nd quarter of this fiscal year because economic activities have been resumed gradually in the domestic and overseas markets.

Anticipated Revenue by Reportable Segment

For Earth, For Life
Kubota

(Unit: billions of yen)	Year ending Dec. 31, 2020 (Forecast)	Year ended Dec. 31, 2019 (Actual)	Changes Amount	Changes %
Machinery	1,430.0	1,558.3	-128.3	-8.2
Domestic	280.0	306.3	-26.3	-8.6
Overseas	1,150.0	1,252.0	-102.0	-8.1
Water	320.0	330.1	-10.1	-3.0
Domestic	276.0	287.8	-11.8	-4.1
Overseas	44.0	42.3	+1.7	+4.1
Other	30.0	31.6	-1.6	-5.2
Domestic	29.5	31.2	-1.7	-5.6
Overseas	0.5	0.4	+0.1	+23.5
Total revenue	1,780.0	1,920.0	-140.0	-7.3

Domestic revenue	585.5	625.4	-39.9	-6.4
Overseas revenue	1,194.5	1,294.6	-100.1	-7.7

・Changes excluding the effects of fluctuation in exchange [-28.0 billion yen]
>Overseas revenue in Machinery is forecast to decrease by 6%. Total overseas revenue is forecast to decrease by 6%.
・The negative impact of COVID-19 on revenue is expected to be a decrease of around 148.0 billion yen in Machinery and around 10.0 billion yen in Water, including a negative effect from delay in production and shipment mainly due to suspended operations in our manufacturing bases.
* Beginning with this fiscal year, in conformity with the change in the internal organization, the amounts related to air-conditioning equipment are reported in Water, whereas they were formerly reported in Machinery. Accordingly, the information for the prior fiscal year was retrospectively adjusted to conform to the current year's presentation.

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- Overseas revenue
  - ✓ Based on the assumptions of each market described on page 15-20, full-year forecasts of percentage change in revenue in each region on a local currency basis year on year are as below:
    - Revenue in North America is expected to decrease by 6%
    - Revenue in Europe is expected to decrease by 15%
    - Revenue in Asia outside Japan is expected to decrease by 1%
    - Of the total revenue in Asia, revenue in Thailand and the three neighboring countries is expected to decrease by 4%, and revenue in China is expected to increase by 8%
    - Revenue in Other regions is expected to increase by 3%

Anticipated Operating Profit

For Earth, For Life
Kubota

(Unit: billions of yen)	Year ending Dec. 31, 2020 (Forecast)		Year ended Dec. 31, 2019 (Actual)		Changes	
	Amount	%	Amount	%	Amount	%
Operating profit	150.0	8.4	201.7	10.5	-51.7	-25.6

Factors affecting operating profit (YoY change -51.7 billion yen)

Factor	Details	Amount	Total
1.Fluctuation in exchange rates	US$ (109→107 *1)	-5.5 billion yen	**-12.0** billion yen
	Euro (122→120 *1)	-2.5 billion yen	
	Other currencies	-4.0 billion yen	
2.Foreign exchange gain/loss			**-1.6** billion yen
3.Material	Machinery	+3.0 billion yen	**+6.0** billion yen
	Water	+3.0 billion yen	
4.Change in sales incentive ratio	North America : +5.6 billion yen etc.		**+3.6** billion yen
5.Impact of increased or decreased sales			**-37.0** billion yen
6.Sales price increase			**+6.0** billion yen
7.Other			**-16.7** 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$:110→108 Euro:124→120

- A positive impact of change in sales incentive ratio is expected to be +3.6 billion yen due to an improvement in North America resulting from a decline in interest rates.
- A positive impact of sales price increase is expected to be +6.0 billion yen mainly due to sales price increase in North America.
- Other (-16.7 billion yen)
  - ✓ One of the major factors in Other is expected to be a negative impact of 9.0 billion yen due to a deterioration in profitability in manufacturing bases. Production volume decreased significantly along with suspended operation in manufacturing bases in the 2nd quarter of this fiscal year, and that is expected to lead to the negative factor. The other one is the negative impact of 8.7 billion yen resulting from the realization of a deterioration in profitability in manufacturing bases in the 1st quarter of this fiscal year along with a decline in production volume in the 4th quarter of the previous fiscal year.
  - ✓ There was a one-time loss of 4.0 billion yen in the previous fiscal year due to negative impacts mainly from typhoons, which is expected to be a positive factor in this fiscal year. However, in this fiscal year, fixed costs incurred during period of suspended operations in domestic and overseas manufacturing bases were recorded as one-time expenses, which resulted in a negative impact of 2.4 billion yen in operating profit in this fiscal year as well.
  - ✓ As for Other factors, there are expected to be positive impacts from a decrease in sales expenses and fixed expenses in manufacturing bases by a cost reduction (+3.0 billion), a decrease in costs for air transportation of engines (+2.5 billion yen), and gain on sales of fixed assets associated with the relocation of headquarters in Canada (+2.4 billion yen), while there is expected to be a negative impact of an increase in personnel expenses(-7.5 billion yen).

Anticipated Operating Profit by Reportable Segment

For Earth, For Life
Kubota

(Unit: billions of yen)		Year ending Dec. 31, 2020 (Forecast)	Year ended Dec. 31, 2019 (Actual)	Changes
Machinery	Revenue	1,430.0	1,558.3	-128.3
	Operating profit	154.0	203.1	-49.1
	OP margin	10.8%	13.0%	-2.3P
Water	Revenue	320.0	330.1	-10.1
	Operating profit	27.0	28.1	-1.1
	OP margin	8.4%	8.5%	-0.1P
Other	Revenue	30.0	31.6	-1.6
	Operating profit	3.0	3.6	-0.6
	OP margin	10.0%	11.4%	-1.4P
Adjustment	Operating profit	-34.0	-33.2	-0.8
Total	Revenue	1,780.0	1,920.0	-140.0
	Operating profit	150.0	201.7	-51.7
	OP margin	8.4%	10.5%	-2.1P

* Beginning with this fiscal year, in conformity with the change in the internal organization, the amounts related to air-conditioning equipment are reported in Water, whereas they were formerly reported in Machinery. Accordingly, the information for the prior fiscal year was retrospectively adjusted to conform to the current year's presentation.

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, 2020		Year ended Dec. 31, 2019
	(Forecast)	(Original forecast)	(Actual)
Capital expenditures *	85.0	115.0	86.7
Depreciation and amortization *	54.0	56.0	48.9
R&D expenses	59.0	59.0	53.1

* 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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- We have reviewed the forecasts of capital expenditures, depreciation and amortization to meet recent changes of business environment, and have reduced them from the original forecast to 85.0 billion yen and 54.0 billion yen respectively.
- R&D expenses remain unchanged at 59.0 billion yen.

Safe Harbor

For Earth, For Life
Kubota

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

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