

Financial Results for the year ended December 31, 2018



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Kubota Corporation has adopted International Financial Reporting Standards (hereinafter “IFRS”) instead of accounting principles generally accepted in the United States of America (hereinafter “U.S. GAAP”) from the 1st quarter of the fiscal year ended December 31, 2018. The figures for the fiscal year ended December 31, 2017 used in the analysis were reclassified into the figures in accordance with IFRS.

Financial Summary

For Earth, For Life


(Unit: billions of yen)	Year ended Dec 31, 2018	Year ended Dec 31, 2017	Changes		Variance from forecast (Nov. 2018)	
			Amount	%	Amount	%
Revenue	1,850.3	1,751.0	+99.3	+5.7	+20.3	+1.1
Domestic	577.3	563.8	+13.5	+2.4	+3.3	+0.6
Overseas	1,273.0	1,187.2	+85.7	+7.2	+17.0	+1.4
Operating profit	10.2% 189.3	11.4% 200.0	-10.6	-5.3	-14.7	-7.2
Profit before income taxes*	10.7% 197.2	12.2% 214.0	-16.8	-7.8	-12.8	-6.1
Profit attributable to owners of the parent	7.5% 138.6	7.7% 134.2	+4.4	+3.3	-6.4	-4.4

(Unit: billions of yen)	As of Dec. 31, 2018	As of Dec. 31, 2017	Changes	
			Amount	%
Total assets	2,895.7	2,832.4	+63.3	+2.2
Equity attributable to owners of the parent	1,339.9	1,291.1	+48.8	+3.8

Gain (loss) on sales of securities is no longer recorded in the consolidated statement of profit or loss from the fiscal year ended December 31, 2018 due to the adoption of IFRS 9. For your information, the financial results for the year ended December 31, 2017 included gain on sales of securities of 8.4 billion yen.

Revenue by Reportable Segment

For Earth, For Life
Kubota

(Unit: billions of yen)	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017	Changes	
			Amount	%
Farm & Industrial Machinery (Machinery)	1,527.6	1,436.5	+91.1	+6.3
Domestic	308.9	294.5	+14.4	+4.9
Overseas	1,218.7	1,142.0	+76.7	+6.7
Water & Environment (Water)	292.3	285.7	+6.6	+2.3
Domestic	238.4	240.7	-2.3	-1.0
Overseas	53.9	45.0	+8.9	+19.9
Other	30.4	28.9	+1.5	+5.3
Domestic	30.0	28.6	+1.5	+5.1
Overseas	0.4	0.3	+0.1	+25.6
Total revenue	1,850.3	1,751.0	+99.3	+5.7

Domestic revenue	577.3	563.8	+13.5	+2.4
Overseas revenue	1,273.0	1,187.2	+85.7	+7.2

For reference: Changes excluding the effects of fluctuation in exchange [-6.0 billion yen]
>Overseas revenue in Machinery increased by 7%. Total overseas revenue increased by 8%.

Revenue by Reportable Segment (Year-on-Year)

Machinery: +91.1 billion yen (Domestic: +14.4, Overseas: +76.7)

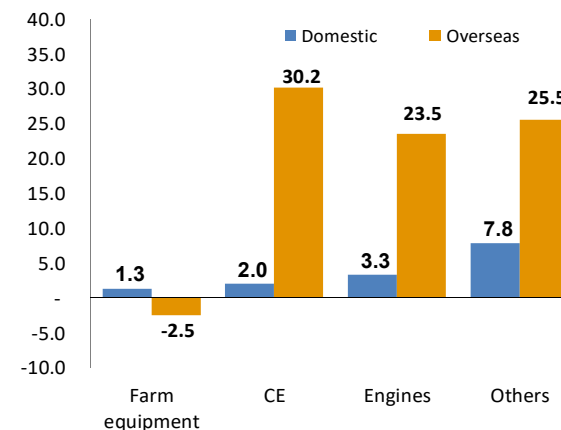
Domestic

- Sales of tractors, rice transplanters and combine harvesters increased slightly due to an increase in market share.
- Sales of agricultural-related products and engines increased as well.

Overseas

- Sales of tractors increased mainly in North America and Thailand.
- Sales of combine harvesters and rice transplanters decreased significantly due to slump of market in China.
- Sales of construction machinery (CE) and engines increased significantly in major markets such as North America, Europe and China due to global expansion of demand.
- In Others category, sales of parts and implement and finance income increased in North America.

■ Changes in revenue by product (Billions of yen)



Water: +6.6 billion yen (Domestic: -2.3, Overseas: +8.9)

Domestic

- In pipe-related business, sales of ductile iron pipes decreased significantly, while sales of pumps and construction business increased.
- In environmental business, sales of environmental plants and EPC (engineering, procurement, and construction) businesses such as exhaust gas treatment plant increased.
- In social infrastructure business, sales of steel pipes for civil engineering works increased.

Overseas

- In pipe-related business, sales of ductile iron pipes to the Middle East and construction business increased.
- In environmental business, sales of wastewater treatment plant (Johkasou) increased.
- In social infrastructure business, sales of industrial castings increased.

Operating Profit

(Unit: billions of yen)	Year ended Dec. 31, 2018		Year ended Dec. 31, 2017		Changes	
	Amount	%	Amount	%	Amount	%
Operating profit	189.3	10.2	200.0	11.4	-10.6	-5.3

Factors affecting operating profit (YoY change -10.6 billion yen)

1.Fluctuation in exchange rates	US\$ (112→110) Euro (127→130) Other currencies	-3.0 billion yen +6.0 billion yen +0.0 billion yen	+3.0 billion yen
2.Foreign exchange gain/loss			-6.7 billion yen
3.Material	Machinery Water	-8.5 billion yen -4.5 billion yen	-13.0 billion yen
4.Change in sales incentive ratio	U.S. : -6.6 billion yen, China: -1.3 billion yen etc.		-6.6 billion yen
5.Personnel expenses	Cost of goods sold SG&A expenses	-2.4 billion yen -5.9 billion yen	-8.3 billion yen
6.Impact of increased sales			+36.0 billion yen
7.Other			-15.0 billion yen

Operating Profit by Reportable Segment

For Earth, For Life


(Unit: billions of yen)		Year ended Dec. 31, 2018	Year ended Dec. 31, 2017	Changes
Machinery	Revenue	1,527.6	1,436.5	+91.1
	Operating profit	200.9	200.7	+0.1
	OP margin	13.2%	14.0%	-0.8P
Water	Revenue	292.3	285.7	+6.6
	Operating profit	19.9	24.4	-4.5
	OP margin	6.8%	8.5%	-1.7P
Other	Revenue	30.4	28.9	+1.5
	Operating profit	3.0	3.0	+0.0
	OP margin	9.9%	10.4%	-0.5P
Adjustment	Operating profit	-34.5	-28.2	-6.2
Total	Revenue	1,850.3	1,751.0	+99.3
	Operating profit	189.3	200.0	-10.6
	OP margin	10.2%	11.4%	-1.2P

Finance Income/ Finance Costs (Net)

For Earth, For Life


(Unit: billions of yen)	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017	Changes
Finance income/ finance costs (-)	7.9	14.1	-6.1
Interests and dividends	7.1	6.5	+0.6
Gain on sales of securities *	-	8.4	-8.4
Other	0.8	-0.8	+1.7

* Gain (loss) on sales of securities is no longer recorded in the consolidated statement of profit or loss from the fiscal year ended December 31, 2018 due to the adoption of IFRS 9.

Profit Before Income Taxes/ Profit for the Year

For Earth, For Life
Kubota

(Unit: billions of yen)	Year ended Dec. 31, 2018		Year ended Dec. 31, 2017		Changes	
	Amount	%	Amount	%	Amount	%
Profit before income taxes	197.2	10.7	214.0	12.2	-16.8	-7.8
Income tax expenses	-49.1		-73.2		+24.1	
(Effective tax rate)	(24.9%)		(34.2%)			
Share of profits of investments accounted for using the equity method	2.0		2.5		-0.4	
Profit for the year	150.1	8.1	143.3	8.2	+6.8	+4.8

Profit attributable to:

Owners of the parent	138.6	7.5	134.2	7.7	+4.4	+3.3
Noncontrolling interests	11.6	0.6	9.1	0.5	+2.4	+26.4

	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017	Changes
Dividends (Per share)	34 yen	32 yen	+2 yen
Payout ratio	30 %	30 % *	+1 point
Retirement of treasury shares (Billion yen)	2.9	13.2	-10.3
Shareholder return ratio (Dividends and retirement of treasury shares)	32 %	39 % *	-7 point

*Payout ratio and Shareholder return ratio in the year ended Dec. 31, 2017 is calculated based on the profit in accordance with IFRS.

Kubota Corp. retired 1,500,000 of treasury shares in December 2018.

Shareholder Return History

For Earth, For Life
Kubota

(Unit: billions of yen)	Year ended Mar. 31, 2015	Nine months ended Dec. 31, 2015	Year ended Dec. 31, 2016	Year ended Dec. 31, 2017	Year ended Dec. 31, 2018	Changes	Total of last 4 years and 9 months
	U.S. GAAP				IFRS		
Profit attributable to owners of the parent (Per share)	139.5 (111.68yen)	110.1 (88.47yen)	132.5 (106.58yen)	136.4 (110.30yen)	138.6 (112.44yen)	+ 2.2 (+2.14yen)	657.2
Total amount of dividend paid (Dividend per share)	34.9 (28yen)	34.9 (28yen)	37.3 (30yen)	39.5 (32yen)	41.9 (34yen)	+ 2.4 (+ 2yen)	188.5
Retirement of treasury shares (Number of shares retired)	7.7 (4.0 mil. shares)	2.5 (1.3 mil. shares)	6.0 (3.8 mil. shares)	13.2 (7.1 mil. shares)	2.9 (1.5 mil. shares)	- 10.3 (- 5.6mil. shares)	32.3
Total shareholder return	42.6	37.4	43.3	52.7	44.8	- 8.0	220.8
Payout ratio	25%	32%	28%	29%	30%	+ 1P	29%
Shareholder return ratio (Dividends and retirement of treasury shares)	31%	34%	33%	39%	32%	▲ 6P	34%

Dividend payout ratio: 30% as a target

Purchase and retirement of treasury shares*: Carry out every year

Shareholder return ratio: over 30%

* Continue share buy-backs and prompt retirement of treasury shares. The proceed from sales of assets such as securities, is appropriated to the resource of share buy-backs so as to control the balance of interest-bearing debt.

Statement of Financial Position (Assets)

For Earth, For Life
Kubota

(Unit: billions of yen)	As of Dec. 31, 2018	As of Dec. 31, 2017	Changes	Changes ex the effects of fluctuation in exchange
Current assets	1,639.5	1,608.4	+31.1	
Cash and cash equivalents	229.1	230.7	-1.6	
Trade receivables	660.4	639.1	+21.3	+38.0
Finance receivables	267.3	250.7	+16.6	
Inventories	370.7	358.9	+11.8	+26.0
Other	112.0	129.1	-17.0	
Noncurrent assets	1,256.1	1,223.9	+32.2	
Finance receivables	621.9	559.5	+62.4	
Other	634.2	664.5	-30.2	
Total assets	2,895.7	2,832.4	+63.3	
Total finance receivables	889.1	810.2	+79.0	+104.0

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

U.S. dollar	111	113	-2
Euro	127	135	-8

Statement of Financial Position (Liabilities)

For Earth, For Life


(Unit: billions of yen)	As of Dec. 31, 2018	As of Dec. 31, 2017	Changes	Changes ex the effects of fluctuation in exchange
Current liabilities	922.8	917.5	+5.4	
Bonds and borrowings	349.1	363.5	-14.4	
Trade payables	306.8	286.1	+20.6	
Other	267.0	267.8	-0.8	
Noncurrent liabilities	546.4	539.3	+7.1	
Bonds and borrowings	490.2	470.6	+19.6	
Retirement benefit liabilities	14.5	12.9	+1.6	
Other	41.7	55.8	-14.1	
Total liabilities	1,469.2	1,456.8	+12.4	
Total interest-bearing liabilities	839.3	834.1	+5.2	+26.0
Net debt equity ratio	0.46	0.47	-0.01	
Net debt equity ratio (ex financial services)	-0.18	-0.14	-0.04	

Statement of Financial Position (Equity)

For Earth, For Life


(Unit: billions of yen)	As of Dec. 31, 2018	As of Dec. 31, 2017	Changes
Equity attributable to owners of the parent	1,339.9	1,291.1	+48.8
Share capital	84.1	84.1	+0.0
Share premium	85.3	85.0	+0.3
Retained earnings	1,135.4	1,040.2	+95.2
Other components of equity	35.3	81.9	-46.6
Exchange differences on translating foreign operations	-19.2	5.7	-24.9
Net changes on financial assets measured at FVTOCI	54.6	76.3	-21.7
Treasury shares, at cost	-0.3	-0.2	-0.1
Noncontrolling interests	86.6	84.5	+2.1
Total equity	1,426.4	1,375.6	+50.9
Ratio of equity attributable to owners of the parent to total assets	46.3%	45.6%	+0.7point

Return on Equity (ROE) History

(Unit: billions of yen)	Year ended Mar. 31, 2015	Nine months ended Dec. 31, 2015	Year ended Dec. 31, 2016	Year ended Dec. 31, 2017	Year ended Dec. 31, 2018	Changes
	U.S. GAAP			IFRS		
Equity attributable to owners of the parent (Shareholder's equity)	1,100.1	1,140.3	1,198.8	1,291.1	1,339.9	48.8
Profit attributable to owners of the parent (Net income attributable to Kubota Corp.)	139.5	110.1	132.5	134.2	138.6	+4.4
Return on equity	13.7%	-	11.3%	10.8%	10.5%	-0.2point

[Reference (unaudited)]

(Unit: billions of yen)	Year ended Dec. 31, 2014 (12 months)	Year ended Dec. 31, 2015 (12 months)
Shareholder's equity	1,073.0	1,140.3
Net income attributable to Kubota Corp.	139.3	149.4
Return on equity	14.0%	13.5%

Statement of Cash Flows

For Earth, For Life


(Unit: billions of yen)	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017	Changes
Net cash provided by operating activities	89.1	137.2	-48.0
Net cash used in investing activities	-58.8	-46.0	-12.8
Payments for acquisition of property, plant, and equipment and intangible assets	-63.4	-68.9	+5.5
Other	4.6	23.0	-18.3
Net cash used in financing activities	-27.8	-32.6	+4.8
Effect of exchange rate changes on cash and cash equivalents	-4.2	2.7	-6.9
Net increase (decrease) in cash and cash equivalents	-1.6	61.3	-62.9
Free cash flow	25.8	68.3	-42.5

Financial Services <Reference (unaudited/IFRS)>

For Earth, For Life


Statement of Financial Position

(Unit: billions of yen)	As of Dec. 31, 2018		As of Dec. 31, 2017	
	Financial services	Equipment operations	Financial services	Equipment operations
Total assets	1,101.1	1,907.1	996.7	1,920.1
Cash and cash equivalents	20.7	208.4	12.6	218.1
Trade receivables	31.1	631.2	29.1	610.8
Finance receivables	889.1	-	810.2	-
Inventories	-	370.7	-	358.9
Property, plant, and equipment	0.6	329.5	0.5	321.3
Other	159.6	367.3	144.3	411.1
Total liabilities	932.0	634.4	851.5	674.4
Total interest-bearing debt	875.7	-	807.1	51.4
Other	56.3	634.4	44.3	622.9
Total equity	169.1	1,272.7	145.3	1,245.7

Statement of Profit or Loss (Financial Services)

(Unit: billions of yen)	Year ended Dec. 31, 2018	Year ended Dec 31, 2017	Changes	
	Amount	Amount	Amount	%
Revenue	65.9	59.1	+6.8	+11.5
Operating profit	40.8% 26.9	42.1% 24.9	+2.0	+8.0
Profit attributable to owners of the parent	27.6% 18.2	21.1% 12.5	+5.8	+46.1

Recent Developments In Machinery

Recent Developments in Machinery (North America)

U.S.

Demand for tractor, CE, and engines is expected to grow moderately along with favorable economy, while there is uncertainty about the future of the economy.

Tractors

Demand for compact tractor is expected to continue to grow along with solid economy. Demand for mid- and large-sized tractor is expected to bottom out and be restored. Make effort to early market penetration of new UV model launched in the prior year.

CE

Demand for CE is expected to grow moderately, while a slowdown in growth rate is anticipated due to a rise in interest rates and soaring housing prices. Significant growth of business is expected by a launch of new model of CTL.

Engines

Strong order receipt of engines is expected to continue in response to high demand for construction and industrial machinery.

■ YoY growth rate of retail sales units in the tractor market by horsepower

		Jan.-Mar.	Apr.-June	Jul.-Sep.	Oct.-Dec.	Jan.-Jun.	Jan.-Dec.
2017	0-40hp	+13.7%	+11.2%	-1.7%	+8.9%	+12.0%	+7.8%
	40-120hp	-4.0%	-1.4%	-4.0%	+2.4%	-2.5%	-1.6%
	0-120hp	+7.3%	+7.7%	-2.4%	+6.5%	+7.5%	+4.7%
2018	0-40hp	+1.6%	+11.6%	+13.1%	+7.3%	+8.3%	+9.2%
	40-120hp	-2.1%	+6.5%	-0.1%	+2.4%	+3.0%	+2.1%
	0-120hp	+0.4%	+10.3%	+8.7%	+5.5%	+6.8%	+7.0%

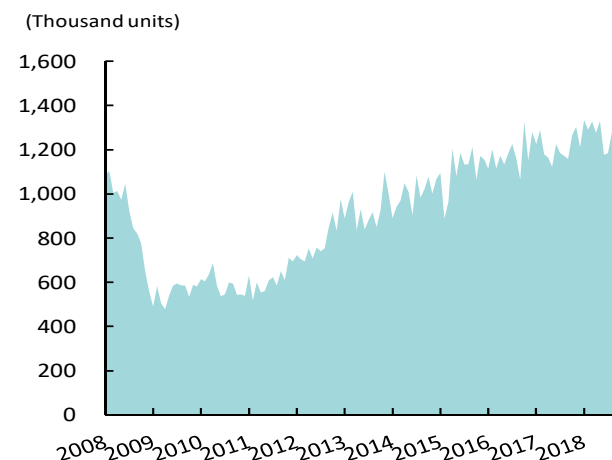
Source: AEM (Association of Equipment Manufacturers)

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

	Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Jan.-Jun.	Jan.-Dec.
2017	+12.2%	+12.4%	+12.0%	+19.4%	+12.3%	+14.0%
2018	+5.9%	+15.3%	+14.1%	+0.8%	+11.6%	+9.3%

Source: AEM (Association of Equipment Manufacturers)

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



Source: U.S. Census Bureau

Recent Developments in Machinery (Europe)

Europe

Agricultural market is expected to be sluggish due to a decline in farm income resulting from abnormal weather in the prior year. Demand for CE is expected to decrease slightly from the prior year, while high level of demand will continue.

Tractors

Demand for compact tractor is expected to show only a slight recovery due to the impact of Brexit and others, while recovery from the abnormal weather in the prior year is expected. Demand for medium- and large-sized tractor is expected to be sluggish due to a decline in farm income. Aiming to increase market share by improvement of product supply capabilities.

Implements

Strong demand cannot be expected due to the slump in the agricultural market.

CE

Demand for CE is expected to decline resulting from uncertainty about the future resulting from some events, such as Brexit and financial instability in Italy, as well as adverse reaction from a sharp increase in demand in the past few years.

Aiming to expand market share by strengthening sales network and introducing new models.

Engines

Orders from major OEM remain strong. A significant decline is not expected, while it is expected to have an impact of adverse reaction from rushed orders by new exhaust emission regulations (StageV) implemented in this year.

Recent Developments in Machinery (Asia)

Thailand and neighboring countries

Demand for farm equipment is expected to grow at a moderate pace mainly due to an increase in yield amount in the prior year.
In Cambodia, demand for farm equipment is expected to expand due to an increase in exports of rice and cassava.

Tractors, Combines

Strong demand from rice farmers is expected. Demand for tractor is expected to grow moderately due to the promotion of crop conversion from rice to other crops by government, while market condition itself is expected to be strong. Demand for combine is expected to recover from sluggish caused by drought in Northeast Thailand. Expansion in demand of farm equipment for upland farming is expected due to strong exports of cassava .

CE

Demand for CE is expected to expand due to the labor shortage resulting from continuing infrastructure investment in Bangkok and regional cities. Competition is expected to get severer along with the market expansion.

Neighboring countries

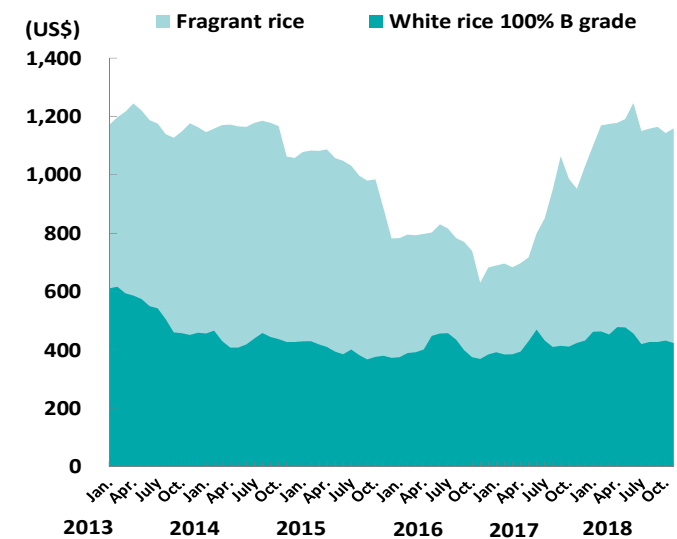
〈Cambodia〉

Demand for farm equipment is expected to expand due to strong exports of rice and cassava.

〈Myanmar〉

Demand for farm equipment is expected to expand due to mitigation of a negative impact of the sharp decline in Myanmar Kyat and advancement of mechanization.

■ Export price of Thai rice (US\$/t)



Source: USDA, Thai Rice Exporters Association

Recent Developments in Machinery (Asia)

China

Budgeted government subsidies are not determined. Demand for farm equipment is expected to continue to shrink gradually. Aiming to improve profitability on the assumption that the market shrink continues. Demand for CE is expected to expand.

Tractors

The downward trend of demand is expected to continue due to the decline in crop prices and used equipment prices. Demand is expected to continue to move to higher horse power equipment increasingly in response to demand for enhancement of work efficiency.

Combines

Demand is expected to shrink due to intensifying competition among contractors and decline in rice prices and used equipment prices. Demand only for corn combine harvesters, which have a low mechanization rate, is expected to expand.

Rice transplanters

Demand is expected to continue to shrink moderately.

CE

Demand is expected to grow continuously due to strong urban infrastructure construction, labor shortages, and soaring labor costs, while growth rate is expected to slow in response to slowdown trend of economy.

Engines

Strong demand of engines for CE is expected to continue.

■ Budgeted government subsidies for purchase of agricultural equipment

(Unit: billions of RMB)		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Subsidies	1st stage	-	-	11.0	13.0	20.0	17.0	21.0	22.8	18.6	18.6
	Full year	13.0	15.5	17.5	21.5	21.8	23.8	23.8	23.7	18.6	18.6

Recent Developments in Machinery (Japan)

Japan

Demand for farm equipment is expected to show only a slight recovery due to structural matters, such as aging of farmers, while it is expected to have the positive impact of rushed demand by the consumption tax hike and the recovery in rice prices.

Demand for CE is expected to remain at the same level as the prior year as well because Olympic Games-related demand is expected to slow.

Farm Equipment

Demand is expected to recover moderately due to rushed demand resulting from the consumption tax hike mainly by large farmers and a recovery in rice prices. Demand by large farmers is expected to increase, while demand by small farmers is expected to decrease mainly due to aging of farmers.

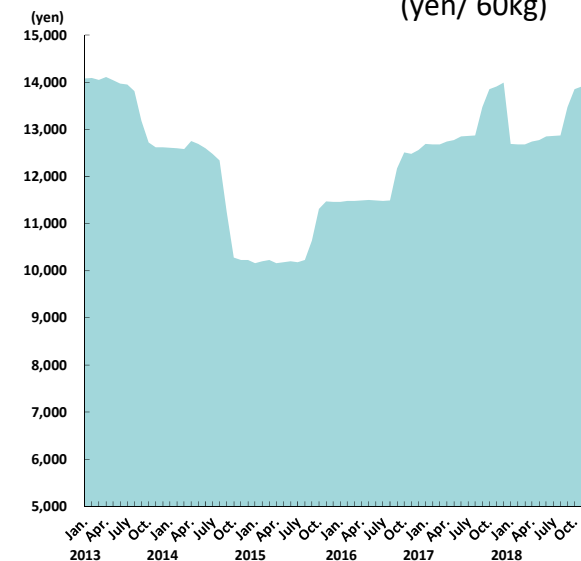
CE

Demand is expected to remain at the same level as prior year due to a slowdown of the Olympic Games-related construction demand, while rushed demand prior to the consumption tax rate hike is expected.

Engines

Revenue is expected to remain at the same level as the prior year due to continuing strong demand.

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



Source: Ministry of Agriculture, Forestry and Fisheries

Forecast

Anticipated Operating Results

For Earth, For Life


(Unit: billions of yen)	Year ending Dec. 31, 2019 (Forecast)	Year ended Dec. 31, 2018 (Actual)	Changes		Six months ending June 30, 2019 (Forecast)
			Amount	%	
Revenue	1,970.0	1,850.3	+119.7	+6.5	995.0
Domestic	626.0	577.3	+48.7	+8.4	313.0
Overseas	1,344.0	1,273.0	+71.0	+5.6	682.0
Operating profit	10.2% 200.0	10.2% 189.3	+10.7	+5.6	10.3% 102.0
Profit before income taxes	10.6% 208.0	10.7% 197.2	+10.8	+5.5	10.7% 106.0
Profit attributable to owners of the parent	7.4% 145.0	7.5% 138.6	+6.4	+4.6	7.3% 73.0

Anticipated Revenue by Reportable Segment

For Earth, For Life
Kubota

(Unit: billions of yen)	Year ending Dec. 31, 2019 (Forecast)	Year ended Dec. 31, 2018 (Actual)	Changes	
			Amount	%
Machinery	1,610.0	1,527.6	+82.4	+5.4
Domestic	323.0	308.9	+14.1	+4.6
Overseas	1,287.0	1,218.7	+68.3	+5.6
Water	329.0	292.3	+36.7	+12.6
Domestic	272.0	238.4	+33.6	+14.1
Overseas	57.0	53.9	+3.1	+5.8
Other	31.0	30.4	+0.6	+2.0
Domestic	31.0	30.0	+1.0	+3.3
Overseas	-	0.4	-0.4	-100.0
Total revenue	1,970.0	1,850.3	+119.7	+6.5
Domestic revenue	626.0	577.3	+48.7	+8.4
Overseas revenue	1,344.0	1,273.0	+71.0	+5.6

For reference: Changes excluding the effects of fluctuation in exchange [-47.0 billion yen]
 >Overseas revenue in Machinery is forecast to increase by 9%. Total overseas revenue is forecast to increase by 9%.

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	10.2	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→108) Euro (130→122) Other currencies	-3.0 billion yen -5.5 billion yen -6.0 billion yen	-14.5 billion yen
2. Foreign exchange gain/loss			+3.5 billion yen
3. Material	Machinery Water	-9.0 billion yen -2.0 billion yen	-11.0 billion yen
4. Change in sales incentive ratio	North America : -7.6 billion yen, China: +0.8 billion yen etc.		-6.3 billion yen
5. Impact of increased sales			+46.0 billion yen
6. Sales price increase			+15.0 billion yen
7. Other			-22.0 billion yen

Anticipated Operating Profit by Reportable Segment

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(Unit: billions of yen)		Year ending Dec. 31, 2019 (Forecast)	Year ended Dec. 31, 2018 (Actual)	Changes
Machinery	Revenue	1,610.0	1,527.6	+82.4
	Operating profit	207.0	200.9	+6.1
	OP margin	12.9%	13.2%	-0.3P
Water	Revenue	329.0	292.3	+36.7
	Operating profit	20.0	19.9	+0.1
	OP margin	6.1%	6.8%	-0.7P
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	-30.0	-34.5	+4.5
Total	Revenue	1,970.0	1,850.3	+119.7
	Operating profit	200.0	189.3	+10.7
	OP margin	10.2%	10.2%	-0.1P

Exchange Rate, CAPEX, Depreciation and R&D Expenses

■ Anticipated foreign exchange rate

		Year ending Dec. 31, 2019	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017
		(Forecast)	(Actual)	(Actual)
¥/US\$	1st Half (Jan.-Jun.)	108	109	112
	2nd half (Jul.-Dec.)	108	112	112
	Full year average (Jan.-Dec.)	108	110	112
¥/Euro	1st Half (Jan.-Jun.)	122	132	122
	2nd half (Jul.-Dec.)	122	129	132
	Full year average (Jan.-Dec.)	122	130	127

■ CAPEX, Depreciation and R&D expenses

(Unit: billions of yen)	Year ending Dec. 31, 2019	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017
	(Forecast)	(Actual)	(Actual)
Capital expenditures	100.0	64.1	52.2
Depreciation and amortization	51.0	49.6	45.1
R&D expenses	60.0	53.8	43.4

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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