

Basic Management Policy and Priority Measures



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1. Review of Last Fiscal Year
2. Prospects for Current Fiscal Year
3. Basic Management Policy
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1. Review of Last Fiscal Year

- Japan : Sales of farm equipment, construction machinery (hereinafter, CE) and engines increased. Sales of Water & Environment decreased slightly.
- Overseas : North America : Sales of CE and engines performed well. Sales of tractors increased as well.
 - Europe : Sales of CE and engines increased significantly.
 - Asia outside Japan : In China, sales of farm equipment decreased significantly, while sales of CE and engines increased. Sales of tractors increased in Thailand and India.
 - Water & Environment : Sales of industrial castings and ductile iron pipes increased.

(Unit: billions of yen)	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017	Changes
Japan	577.3	563.8	+ 2.4%
North America	612.6	546.0	+ 12.2%
Asia outside Japan	334.9	342.9	▲ 2.3%
Europe	256.3	226.7	+ 13.1%
Other	69.1	71.7	▲ 3.5%
Total	1,850.3	1,751.0	+ 5.7%

1. Review of Last Fiscal Year

- Revenue hits the high record.
- Operating profit decreased mainly due to a steep rise in material prices and rising interest rates.
- Profit attributable to owners of the parent increased mainly due to the federal corporate tax rate cut in the United States.

(Unit: billions of yen)	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017	Changes		Variance from revised forecast (Nov. 2018)	
			Amount	%	Amount	%
Revenue	1,850.3	1,751.0	+99.3	+5.7	+20.3	+1.1
Operating profit	10.2% 189.3	11.4% 200.0	-10.6	-5.3	-14.7	-7.2
Profit attributable to owners of the parent	7.5% 138.6	7.7% 134.2	+4.4	+3.3	-6.4	-4.4

2. Prospects for Current Fiscal Year

➤ Domestic Market

- Sales to large farmers are expected to increase due to recovery of rice prices and support by agricultural administration, while sales to small- and medium-sized farmers are expected to decrease gradually due to the aging of farmers.
- In the CE business, demand is expected to remain flat. However, sales are expected to increase due to sales measures designed for each market or each model and introduction of redesigned models.

➤ Overseas market

North America : Sales of CE are expected to increase significantly because new CTL will be introduced. Sales of tractors and engines are expected to increase as well.

Europe : Revenue is expected to decrease due to the yen appreciation, while sales are expected to increase moderately.

Asia : High growth is expected in Thailand and neighboring countries, and in India. In China, sales of farm equipment are expected to decrease, while sales of engines and CE are expected to increase.

2. Prospects for Current Fiscal Year

- Revenue is expected to hit a record high again due to an increase in sales in domestic and overseas market.
- Operating profit and profit attributable to owners of the parent are expected to increase as well.

(Unit: billions of yen)	Year ending Dec. 31, 2019 (Forecast)	Year ended Dec. 31, 2018 (Actual)	Changes	
			Amount	%
Revenue	1,970.0	1,850.3	+119.7	+6.5
Operating profit	10.2% 200.0	10.2% 189.3	+10.7	+5.6
Profit attributable to owners of the parent	7.4% 145.0	7.5% 138.6	+6.4	+4.6

3. Basic Management Policy

◇ Basic management policy

- (1) Accelerate and enhance the measures to build Global Major Brand (GMB)
- (2) Prioritize profitability thoroughly

◇ Priority measures

- (1) Establish a management base suitable for GMB
- (2) Steady development of high-growth business and enhancement of businesses structure in Farm & Industrial Machinery business
- (3) Redesign organization and reinforce business structure in Water & Environment business
- (4) Improve profitability and strengthen the business structure thoroughly

(1) Accelerate and enhance the measures to build Global Major Brand (GMB)

Make full-speed efforts ahead to GMB defined as the brand that can make the greatest social contribution as a result of being trusted by the largest number of customers

- Revive consolidated division system
 - ✓ Accelerating speed of decision-making
 - ✓ Clarify authority and responsibility, and promote optimization of the entire division
- Implement action plans to achieve long-term goals
 - ✓ Implement necessary correction of action plan and optimize priorities and resource allocation
- Earn trust through contributing to SDGs
 - ✓ Set SDGs as the milestone of various activities and accelerate integration of SDGs with our business and expansion of them
 - ✓ Transmit our SDGs initiatives powerfully

(2) Prioritize profitability thoroughly

Cycle of growth toward achievement of long-term goals

Generate sufficient returns commensurate with business expansion, and

- Provide superior products, technologies, and services
- Contribute to social at a higher level
- Win the trust of customers and expand business further

➤ To promote upfront investments with a focus on core businesses and core markets in the future

- ✓ Create capital resources from existing businesses
 - Strengthen the non-price competitiveness
 - Curb all business costs drastically

4. Priority Measures

(1) Establish a management base suitable for GMB

- R&D structure
 - ✓ Establish a base to serve as the core of the global R&D structure
 - Acquired approximately 330 thousand square meters of land in Sakai City and started establishment of the base
 - Integrate and streamline dispersed bases
 - Strengthen capabilities of development related to growth businesses and advanced technologies
 - ✓ Develop and expand global R&D bases
 - Launch full-scale operation of new R&D base in Europe
 - Accelerate development of upland farming tractors through joint development between Japan and Europe
 - Establish and expand global R&D bases
 - Strengthen market suitability through local-based development



- Strengthen and expand R&D resources
- Build structure which is able to create the highest output

4. Priority Measures

(1) Establish a management base suitable for GMB

➤ Production and procurement structure

- ✓ Establish the most efficient production system for each business
 - Consider optimal domestic/overseas and in-house/outsourced production category and systematically implement it
 - Expand production volume and reform logistics overseas
- ✓ Respond to tight supply-demand conditions for CE and engines
 - Normalize product supply promptly
- ✓ Improve the level of procurement and stabilize supply
 - Improve QCD (Quality, cost, and delivery) in cooperation with suppliers
- ✓ Respond to frequent natural disasters and huge earthquakes
 - Review business continuity plans and implement measures thoroughly



Build a global-class production and procurement system

4. Priority Measures

(1) Establish a management base suitable for GMB

➤ IT system

- ✓ Establish an ICT promotion structure
 - Promote development of systems steadily to advance and upgrade mission-critical system
 - Strengthen governance of IT-related organization
- ✓ Promote digital transformation
 - Upgrade utilization of data



- Strengthen business structure and competitiveness, and improve customer satisfaction
- Improve precision and increase speed of decision-making

4. Priority Measures

(2) Steady development of high-growth business and enhancement of businesses structure in Farm & Industrial Machinery business

➤ Farm equipment business (overseas)

- ✓ Develop new products for large-sized tractors and enhance the competitiveness and profitability of existing products
 - ✓ Create growth resources
 - Expand sales of small- and medium-sized tractors and maximize profits
 - Expand lineup of turf-related equipment and utility vehicles
 - ✓ Full-fledged start of operations in India
 - Establish a joint-venture manufacturing company of tractors with Escorts Limited
 - ✓ Expand lineup of tractors for emerging countries
 - ✓ Rebuild business in China and strengthen business structure
 - Secure profits by eliminating waste and reducing costs thoroughly
 - Develop new products and services that meet rapidly changing market needs amid changing market structures
- Earn the trust of customers

4. Priority Measures

(2) Steady development of high-growth business and enhancement of businesses structure in Farm & Industrial Machinery business

➤ Farm equipment business (domestic)

- ✓ Improve profitability by increasing market share and reinforcing the business structure thoroughly
 - ✓ Accelerate evolution to the business which provides comprehensive value to support Japanese agriculture industry
 - Build a leading position in the field of ICT farming
 - Expand the Farm Pilot Series (farm equipment with GPS)
 - Upgrade level of KSAS* (ICT-based farm supporting system)
 - Develop industry-leading advanced technologies
 - Promote initiatives with an eye to overseas operations
- Develop global precision farming technologies, build a next-generation integrated control system between equipment and implements

*Kubota Smart Agri. System



Automated farming equipment under development

- Agri-robo rice transplanter
- Agri-robo tractor
- Agri-robo combine harvester

4. Priority Measures

(2) Steady development of high-growth business and enhancement of businesses structure in Farm & Industrial Machinery business

➤ CE business

Continue to invest resources in areas with high growth potential aggressively

- ✓ Expand product lineup meeting market needs
 - Introduce new model of compact track loader (CTL)
 - Introduce redesigned models
 - Accelerate R&D
- ✓ Strengthen dealer network and cultivate rental companies
- ✓ Strengthen attachment business (collaborate with Great Plains Manufacturing, Inc.)



New CTL model in North America
SVL65-2

4. Priority Measures

(2) Steady development of high-growth business and enhancement of businesses structure in Farm & Industrial Machinery business

➤ Engine business

Develop large-sized engines and accelerate measures to develop cleaner and more eco-friendly engines

- ✓ Build a new R&D center and a new exhaust gas test center
 - Strengthen development capabilities for electronic control systems and exhaust-gas treatment devices
 - Enhance capacity for exhaust gas testing
- ✓ Promote preparations for the introduction of large-sized engines
 - Develop large-sized diesel engines for Chinese market

Respond to tight supply-demand conditions

- ✓ Strengthen production structure and increase production capacity at domestic production sites
 - Two shifts assembly line and the fastest tact time ever
- ✓ Build an industry-leading production structure
 - Improve production equipment and upgrade production lines

(3) Redesign organization and reinforce business structure in Water & Environment business

Aim to become Japan's Top Brand first toward establishment of GMB

- Redesigned organization and established *Pipe Systems and Infrastructure Division*, and *Environmental Solutions Division*
- Focus on securing operating results by thoroughly strengthening the business structure
- Build strategies to define businesses which have potential to grow and the goals of them in domestic and overseas markets

4. Priority Measures

(3) Redesign organization and reinforce business structure in Water & Environment business

➤ Pipe Systems and Infrastructure business

- ✓ Reform overall business in response to shrinking domestic demand
 - Innovate processes in manufacturing and logistic
 - Innovate sales operations and construction work
- ✓ Implement business structure reforms in response to market changes
 - Continue to promote themes that will secure operating results, such as batch orders including both design and building (DB method), pipe renewal work, and so on.
- ✓ Reinforce structure of industrial castings and ceramics business
 - Reform overseas production sites drastically

(3) Redesign organization and reinforce of business structure in Water & Environment business

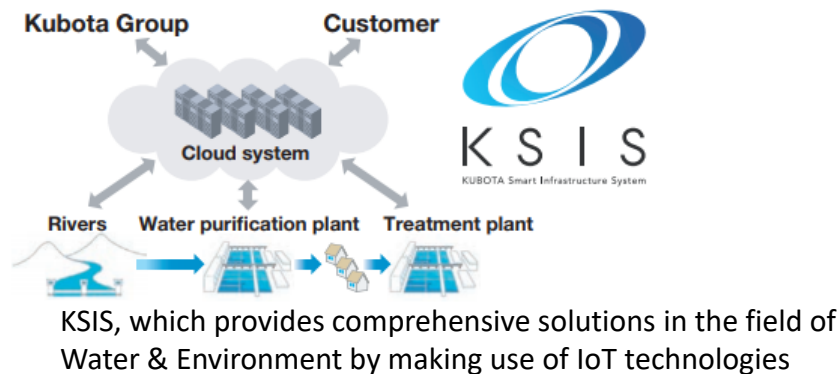
➤ Environmental Solutions business

- ✓ Establish a top brand as a comprehensive environmental infrastructure company
 - Leverage our strengths to create projects in the field of water solutions, environmental conservation, and energy creation
- ✓ Promote large-scale projects steadily
 - Project of reducing the volume of radioactive contaminated waste in Fukushima prefecture
- ✓ Expand sales of submerged membranes and wastewater treatment plants (Johkasou) overseas
 - Build an efficient and effective management system
- ✓ Re-examine development themes in the Water & Environment R&D center
 - Improve development function to connect to business directly, and create eco-businesses

4. Priority Measures

(3) Redesign organization and reinforce of business structure in Water & Environment business

- Common to Water & Environment business
 - ✓ Evolve KSIS (Kubota Smart Infrastructure System, which provides comprehensive solutions in the field of water and environment by making use of IoT technologies) further
 - Expand sales of plants and equipment by creating new customer value in response to needs such as energy conservation, labor saving, and improvement of convenience, and improve the efficiency of the maintenance business



Smart Water Construction System, which combines new construction technologies by simple bonding equipment and construction management technologies, which utilize IoT

(4) Improve profitability and strengthen the business structure thoroughly

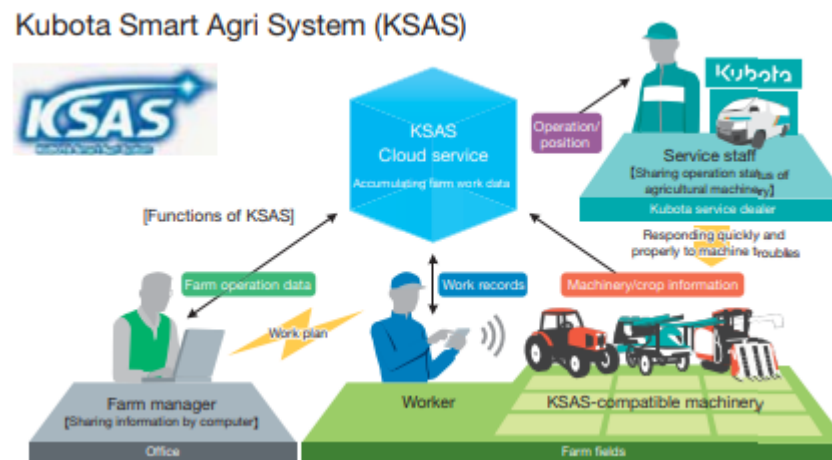
Fulfill our responsibilities to all stakeholders through sustainable growth of corporate value

- Restore profitability of domestic businesses
- Strengthen business structure by deploying KPS (Kubota Production System)

4. Priority Measures

(4) Improve profitability and strengthen the business structure thoroughly

- Restore profitability of domestic businesses
 - ✓ Respond to changes in social structure due to population decline and aging of society
 - Develop and provide products and services that anticipate real needs
 - ✓ Curb all business costs drastically
 - ✓ Strengthen the non-price competitiveness



KSAS (Kubota Smart Agri. System) , which support farming management by making use of ICT technologies

(4) Improve profitability and strengthen the business structure thoroughly

- Reinforce business structure through deployment of KPS
 - ✓ Build a global-class highly efficient production system
 - Improve overall business processes from front-end process, which includes suppliers and parts logistics, to back-end process, which includes delivery to customers, from the viewpoint of total optimization
 - Build cutting-edge production lines, such as automated or unmanned lines, by utilizing IoT
 - Reform QCD (Quality, Cost, and Delivery)
 - ✓ Deploy KPS throughout the company and all divisions
 - Reduce unnecessary operations thoroughly and promote standardization and streamline operations
 - Maximize value adding operation
 - ✓ Reduce inventory
 - Promote organizational and structural reduction of inventories that are not affected by transient factors

5. Conclusion

- Destabilizing world economy
- It is anticipated that a new situation will have a major impact on our business, which is globalizing increasingly



Kubota aims to achieve long-term growth and increase corporate value by steadily promoting initiatives to establish GMB Kubota, identifying recent changes in the business environment, and responding to these changes swiftly and decisively.

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.



Thank you for your attention

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