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Corporate Communication Department, Kubota Corporation
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Kubota's Construction Machinery Gaining Ground in America

From the Front Line of a Market Brimming with Construction Investment

For more than half a century, Kubota's construction machinery has been instrumental in developing urban infrastructure, with its knowhow and mastery in full swing. A pioneering supplier of compact excavators – a must-have for urban construction – Kubota has since come to supply a variety of compact construction machinery to the markets around the world, including Japan, Europe, and North America. This solution from Kubota – urban development using compact machinery – is perfectly aligned with the philosophy at the core of the Sustainable Development Goals (SDGs), which are included in the 2030 Development Agenda adopted at the UN Sustainable Development Summit in September 2015. The SDGs are comprised of 17 global goals designed as a blueprint to realize a sustainable world. Goal 11 is “sustainable cities and communities,” with its overriding objective being to “make cities and human settlements inclusive, safe, resilient, and sustainable.” Kubota's endeavors to contribute to housing and infrastructure development with its compact construction machinery have a high potential of facilitating the achievement of this goal. In recent years, Kubota has underpinned the rapid urbanization in countries in Asia, South America, and Africa. At the same time, Kubota's construction machinery has gained an excellent reputation in North America, which is experiencing robust construction investment in housing and social infrastructure. Featured in this issue of GLOBAL INDEX is a progress report on Kubota's construction machinery business, with a focus on the U.S. market.



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FEATURE: “Kubota Construction Machinery in the U.S.” → see pp.02-13

PEOPLE: Eriko Ogawa, Group 4, Sales and Marketing Department, Construction Machinery Division → see pp.14-15
Kengo Ota, Group 2 (Europe), Sales and Marketing Department, Construction Machinery Division

Landscaping by a compact track loader (CTL)

FEATURE: "Kubota Construction Machinery in the U.S."

Revolutionizing infrastructure development in Japan

Kubota made its first entry into the construction machinery business with the establishment of Kubota Kenki (construction machinery) K.K. in 1953, when it commenced the design and sale of power shovels and other construction equipment.

At large construction sites in urban settings, mobile cranes became the preferred machines for handling larger materials, as their movements are not restricted. In a bid to capitalize on the growing demand at the time, Kubota developed the 4-ton Mobile Crane KM40 to enter the market, which was followed by the 8-ton Mobile Crane KM80 to expand the mobile crane series.

In retrospect, large construction machinery such as mobile cranes and hydraulic shovels marked the "prehistory" of Kubota's construction machinery business. While striving to survive tough competition in the area of large construction machinery, Kubota made the bold move to reengineer its construction machinery business by "focusing on compact machinery" in 1973.

Compact Excavator winning overwhelming support

Kubota's about-face to compact machinery was a result of its savvy response to the needs of the times and the market. During the period of rapid economic growth, the focal point of social infrastructure development shifted to construction work in urban settings, most of which was to improve living environments, and the needs for small-scale construction



CTL growing fast in the U.S. Equipped with a "crawler" belt with a wide foot area, it runs on soft terrain with ease and offers high stability and excavating force



Compact excavator, which drives Kubota's construction machinery business. The continuous top seller in the global market of under-six-ton compact excavators (unit sales) since 2002



Kubota's Quiet Excellence - Construction Machinery Focused Product Group Shaped by the Needs of the Times

- Driving the whole wide world with compact construction machinery -

work increased with continued urbanization. Manual earthwork and transportation on the field had reached their limits, giving rise to demand for compact construction machinery such as "hand dozers" (downsized bulldozers). Sensing this burgeoning market trend, Kubota developed the Mini Hydraulic Excavator KH1 with 360 Degree Turning Structure, which provided the base for the current compact excavator line that followed.

Leveraged by its highly reliable performance in quality, operability, and durability, compact excavator went on a winning streak. Designed for use at small construction sites, where environments and conditions vary, compact excavator operates with a small turning radius when it drives, turns, or swings its upper structure. Meanwhile, to cater to the diverse market needs, Kubota expanded its compact excavator line, including a compact zero tail swing model, which can be used for any type of operating field, a compact zero and tight tail swing model, which operates quickly and flexibly in tight spaces, and a conventional tail swing model, which supports a variety of tough jobs. Such was the popularity of Kubota's compact excavator that the ripples it



SSL comes with wheels. Created and raised in (and much loved by) America for its easy access to hard-to-reach areas and a small turn radius



WL is a special vehicle with a power shovel or bucket on its front. Kubota's strength lies in its compact models

made eventually spread to the global market.

The first destinations included Europe and North America, exports to which began in 1978. Then, with the 1988 establishment of Kubota Baumaschinen GmbH (KBM), an compact excavator production center in Zweibrücken, Germany, full-fledged supply to the European market began. By the mid-1990s, however, late comers had caught up quickly, with the result that Kubota's compact excavator became mired in a slump. Something had to be done to escape from this predicament. Enter Katsuhiko Yukawa, currently General Manager of the Construction Machinery Division, who, as a member of the product development team, was tasked with turning the tables back in Kubota's favor.

"The market already trusted our compact excavator line for its superb operability and durability - something that our users really want to see in our offerings to this day, and this is the real worth of Kubota's approach to manufacturing. But there was one clear reason why competitors outdid us - Our compact excavator had a bigger price tag. It was to combat this state of affairs that we kicked off a construction machinery business revival project in

1997," recalls Yukawa. "We made radical cost reductions. Before, our design/development team technically custom-made each compact excavator model - a standard model, a zero tail swing model, and a zero and tight tail swing model - for each different market in Japan, Europe, and North America. Through the use of common parts, components, and materials across different models, we were able to reduce costs significantly while maintaining high quality and keeping performance intact. As we worked hard to overcome the crisis at the time, we were laying the groundwork for today's construction machinery business."

Equipped with premium quality and cost competitiveness, Kubota's compact excavator saw explosive growth in sales in the European market. In 2002, it topped the global market for under-six-ton compact excavators in terms of unit sales, a position that has never been yielded to any other competitor to this day.

Regional characteristics of the compact construction machinery market

Let us take a moment to walk you through the lineup of Kubota's construction machinery, which is comprised of four categories: wheel loaders ("WL"), compact track loaders ("CTL"), skid steer loaders ("SSL"), and compact excavators.

By definition, the term "compact excavator" refers to a class of construction machinery called hydraulic shovels, each of which weighs less than six tons. Its main applications are excavation and moving loose materials and, because of its small turning radius, it is frequently used for roadworks in Japan. WL is a special vehicle with a power shovel or bucket on its front. Kubota's strength in this class of construction machinery is its compact size, and its WL has a solid presence in the European market. CTL and SSL, on the other hand, are popular in the North American market. Appearance-wise, they are very similar to each other. In terms of mechanisms, however, the former comes with a "crawler" belt with a wide foot area, whereas the latter is equipped with wheels. Running on soft terrain with ease, CTL offers high stability and excavating force. SSL can access hard-to-reach areas and turn in an area with a small radius, making it ideal for jobs in tight spaces. Both boast wide-ranging applications, such as the moving and loading of materials and dirt, as well as roadworks and landscaping in urban areas. In the past, SSL was the undisputed champion in the North American market; created and raised in America, it has been a favorite among many users there. More recently, however, CTL has slowly gained an edge over SSL, because of its greater stability and the ease with which it can be used for jobs on soft terrain, slopes, and rainy days, as CTL does not have wheels.

As detailed above, a very different set of models of compact construction machinery has been well received, depending on the history and environment in each region. It is thus crucial to release products that match regional characteristics if we are to conduct business successfully on a global scale.



Katsuhiko Yukawa Managing Executive Officer General Manager, Construction Machinery Division Kubota Corporation

FEATURE: “Kubota Construction Machinery in the U.S.”

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A Strong Dealer Network and Product Line – That’s What Market Expansion Takes

Kubota’s Approach to Cracking the U.S. Market

The fast-growing construction machinery market in the U.S.

Kubota distributes its construction machinery in three key markets: Japan, Europe, and North America. The demand for construction machinery is surging across the globe, but Kubota has set its sights on one national market in particular – the U.S. – because of its huge potential as a construction machinery consuming country, backed by the fact that it is the world’s largest and most powerful economy. The U.S. has a nominal GDP of approximately 21 trillion and 440 billion dollars and its 2019 projected real GDP growth is 2.4% year-on-year¹. Behind this brisk economic growth are robust employment and private consumption, which are stimulating investment in construction. In particular, investment in private housing, which accounts for roughly 40% of construction investment, has shown a strong comeback following the sharp

plunge in the aftermath of the “Lehman shock” of 2008. A close look at the compact construction machinery market (including for compact excavator, CTL, SSL, and compact WL) in which Kubota is involved shows that unit sales in North America grew from 102,000 in 2007 to 135,000 in 2017, and the figure looks set to reach 157,000 by 2022², while the numbers remained almost flat in Japan and Europe.

So, how should Kubota go about increasing



Paul Manger
Product Marketing Director
Construction & National Accounts
Kubota Tractor Corporation



its presence in this market climate? We invited Paul Manger from Kubota Tractor Corporation (KTC), the organization responsible for marketing Kubota’s construction machinery in the U.S., to comment on the current situation.

“The construction machinery business is vulnerable to general economic trends, such as new housing starts and capital expenditures by private enterprises, as well as road construction and other public works. In recent years, Kubota’s construction machinery business has continued to grow

in tandem with the strong performance of the U.S. economy, and further growth is expected over the longer term,” said Manger. “Construction is a key industry in that it underpins social growth by creating comfortable urban spaces. As a member of this vital industry, we are required to meet social requirements through the supply of reliable products, and this necessitates us to keep tackling social issues, in the present and the future, hand in hand with our dealers and customers.”

¹ IMF (October 2019)
² Projected by the Company

Expanding our product line desirable in the U.S. market

Kubota gained a foothold on American soil when it started distributing its tractors and other agricultural machinery by establishing a sales company, Kubota Tractor Corporation, in California in 1972 (later relocated to Texas). Its sales network has since grown to include some 1,100 dealers coast to coast. The brilliant success of compact excavator – Kubota’s very first offering to the U.S. construction machinery market – was attributable not only to its popular features of durability, operability, and operator comfort but also to taking full advantage of this extensive dealer network that had been built for marketing agricultural machinery. It was a typical case of one-stop customer service – dealers of Kubota agricultural machinery also dealt in compact excavator.

In the U.S. construction machinery market, compact excavator served as Kubota’s “business card.” Buoyed by an outstanding

start, Kubota launched CTL – the mainstay in the U.S. compact construction machinery market – in 2010, followed by SSL in 2015. Unlike compact excavator, for which Kubota created a new market, CTL and SSL had long been available in the U.S., and their markets were crowded with forerunners. Competing in such an environment was no easy task, so how did Kubota overcome the seemingly insurmountable barriers to entry? This challenging task was assigned to Tetsu Kojima, now General Manager, Sales and Marketing Department, Construction Machinery Division.

“It makes a big difference if you can offer a broad range of products to the market, such as compact excavator, CTL, and SSL. Consider this: Even Kubota dealers who sell our agricultural machinery and compact excavator would be forced to deal in other branded products if there was a hole in our product line, and hence would not be able to focus on Kubota’s products. So, we had no choice but to distribute a variety of products if we wished to enhance the appeal of our construction machinery to



the dealers,” explained Kojima. “A good partnership with our dealers assumes top priority in our marketing strategy, because they are the ones who meet our users in person and passionately talk about how good Kubota’s products are. In this sense, it is absolutely crucial for us to draw their salespeople’s attention to our products and make them genuine Kubota fans. To this end, we introduced all sorts of programs, which included boosting of overall sales by offering bundles of compact excavator, CTL, and SSL, implementation of the most flexible forms of sales promotion, and improvement of dealer training and quality assurance services.”

Another channel for marketing construction machinery in the U.S. that is also important is the rental market. Typically run by dealers or independent rental companies, the rental business provides Kubota with an opportunity to demonstrate its products to potential users and a tool for effective sales promotion. Also, independent rental companies make bulk purchases regularly, thereby significantly impacting the expansion of Kubota’s sales.

“Because rental companies need to stock

a wide variety of machinery, Kubota can gain greater recognition from them if we have a large selection in our catalogue. We had success example to open the door of new rental company with Kubota utility vehicle which is popular in U.S., then we could expanded the sales of construction machinery. Teamwork with dealers is also instrumental in after-sale service. Using this collective strength of Kubota to make a breakthrough, we made slow but steady headway into the rental market of compact construction machinery,” concluded Kojima.



Tetsu Kojima
General Manager
Sales and Marketing Department, Construction Machinery Division
Kubota Corporation

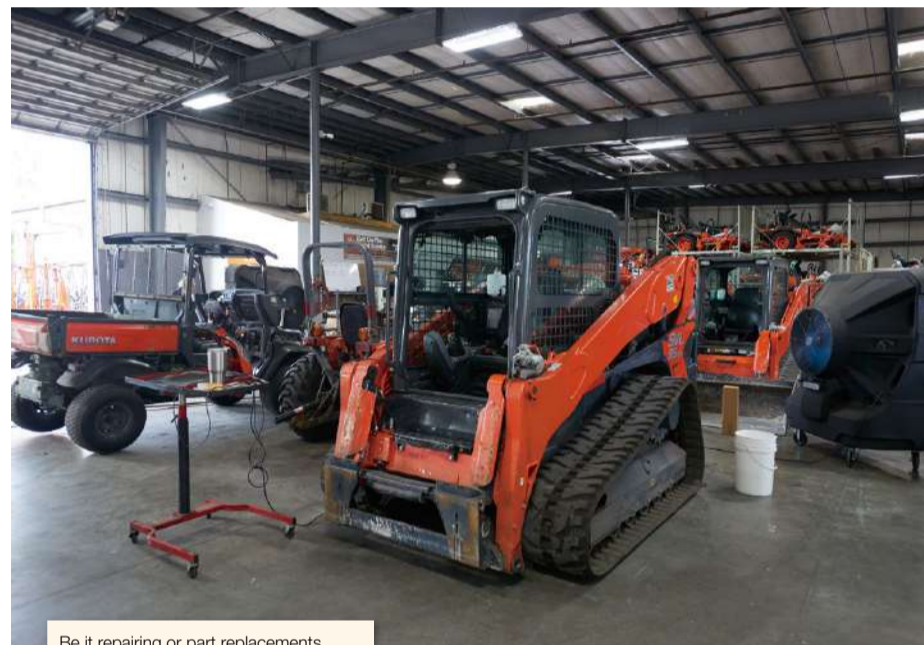


America’s favorite, Kubota’s utility vehicles (at Mason Tractor Co.)

FEATURE: "Kubota Construction Machinery in the U.S."



Frequent communication fosters a relationship of trust between KTC and dealers. (Florida Coast Equipment)



Be it repairing or part replacements, Kubota offers infallible maintenance service. (Florida Coast Equipment)



Tetsuaki Nishinobu
Manager, Group 1 (North America, Oceania)
Sales and Marketing Department
Construction Machinery Division
Kubota Corporation

Feeding user voices directly back to product development

Kubota Corporation's Sales and Marketing Department, Construction Machinery Division is the linchpin of the Kubota Group's global sales activities. Tetsuaki Nishinobu, Manager of Group 1 (North America, Oceania), is responsible for the North American market. As a local sales company, KTC gathers information on market trends, sales situations, developments of competitors, and product evaluations from users. Nishinobu's team, on the other hand, uses such information to devise strategies that put the entire business into perspective, while at the same time serving as a bridge between KTC and production and development bases in Japan.

"If we look at the sales data since 2010, we can see that CTL has been a major driving force for our business in the U.S. market, but I don't think we should be overly optimistic about this. In the past several years, there have been unexpected changes in the market, such as the ongoing shift in needs from SSL to CTL, which is a new category of compact construction machinery. Being a latecomer, I believe that we should always take the offensive. Some of the things we are planning in order to expand our business in the U.S. include adding to the product line by introducing new products, reinforcing sales and service capabilities through collaboration with dealers, and extending the customer base. We will also need to boost business in rental segment. We will remain aggressive in our



Shoji Kitano
Sales Coordinator
Kubota Tractor Corporation



Tomoyuki Umekawa
Sales Coordinator
Kubota Tractor Corporation



Always ready to listen to what dealers have to say and provide the best possible advice - This is KTC's overriding mission. (Mason Tractor Co.)

endeavors without letting our guard down," explained Nishinobu.

Kubota is currently busy conducting market surveys with local dealers to gain input on its future offerings. They venture into the field to hear what construction machinery users have to say about their problems and needs. The voices of users thus gathered are directly reflected in product development and model changes, as well as product quality. KTC's Shoji Kitano is responsible for this vital mission.

"In line with the mid- and long-term product development plan, we involve our dealers and engineers from Kubota to conduct the survey. If, for example, we plan to expand the CTL line, we visit users of the previous CTL model to hear what aspects of the model they think need to be improved or they rate highly. Some questions go deeper into detailed specifications. Then, we share the information thus collected with a development team in Japan, so they can use it for new product development," commented Kitano. "I really feel that the market is changing quickly. To keep abreast with the speed of change, we are required to shorten the development lead time. I personally believe that I should have more contact with users to gather an abundance of information, so that I can have a better understanding than anyone else about how

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Kubota's construction machinery is used in the field and what users really want."

Also from KTC, Tomoyuki Umekawa wishes to meet market needs, but he uses a different approach from Kitano. Umekawa is responsible for sales management; that is, he is the one who places production orders by predicting the supply and demand of the near future based on current market

trends. If his predictions turn out to be significantly divergent from reality, there ends up being excess production or product shortage circumstances. Another important responsibility of Umekawa's is drawing up a sales promotion plan for dealers.

"Simply put, my job is to conceive a strategy for keeping dealers motivated, so that they can put all their energy into selling

Kubota's construction machinery. To this end, I usually offer them incentives, such as special pricing and preferential interest rates, so our dealers have some tools to boost their sales. It is also important that we offer flexible solutions. For example, when a certain individual dealer or region is in a slump, we offer sales programs to address common causes." (Umekawa)

Down-to-earth support for the benefit of dealers

At present, a total of some 600 dealers sell Kubota's construction machinery in the U.S. KTC appoints regional managers of construction machinery business promotion around the country. One such manager is Michael Stanley, who is looking after 55 dealers in the States of Florida, Georgia, South Carolina, Alabama, and Mississippi.

"We support our dealers as a construction machinery business specialist. In more concrete terms, we offer detailed support in terms of sales, marketing, customer support and increase in product knowledge. Our mission is to help each dealer to increase its sales; that is, to guide dealers of our products to succeed. This year marks the seventh year since I was assigned to this region. Our dealers' business has been

strong, to say the least, during this period, and Kubota's construction machinery is steadily gaining a greater share here." (Stanley)

Of course, he is not resting on his laurels. Of the 55 dealers he supports, 38 deal exclusively in Kubota-branded products. It is the crucial job of a regional manager to convince dealers who also sell non-Kubota products to become a Kubota-exclusive dealer. For this, Stanley says that it is important to increase the amount of contact between dealers' salespeople and end users. In the next chapter, we will take a closer look at dealers to see what they are doing for users.



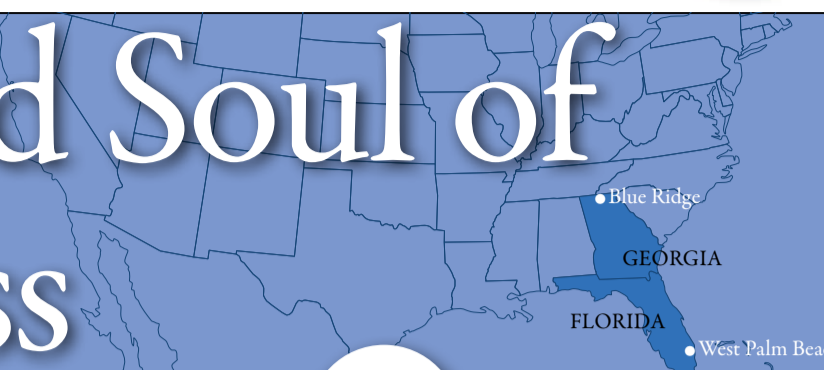
Michael Stanley
Manager
Construction Equipment Business Development
Southeast Division
Kubota Tractor Corporation



FEATURE: "Kubota Construction Machinery in the U.S."

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Staying Abreast of the Field – The Heart and Soul of Kubota's Construction Machinery Business



Feedback from dealers and end users



Florida Coast Equipment

User's voice



Derrick Hall,
owner of a road paving business
"All of the construction machines that we now own are supplied by Kubota. It's clear that their superb performance translates into higher productivity."



Skip Minton,
owner of a construction business
"Kubota's dealer always provides quick support. That prompted me to switch to a Kubota machine."

Florida Coast Equipment A dealer in the State of Florida

Growing expectations for advanced technology, as well as high reliability

West Palm Beach, Florida, a principal city of the South Florida metropolitan area some 100 km north of downtown Miami. Located in this warm tropical city is Florida Coast Equipment (FCE), one of the leading



Above: WL unloading fertilizer for flowers
Below: SSL moving pulverized asphalt from a roadwork site



dealers of Kubota's construction machinery, with three additional locations in southern Florida. Founded in 1985 as a dealer of made-in-Japan tractors, FCE became a dealer for construction machinery as well by the latter half of the 1990s. Having started as a dealer for both agricultural and construction machinery manufactured by other companies than Kubota, they steadily increased their share of Kubota-branded products, and today, 100% of their offerings are from Kubota. FCE President Todd Bachman recalled that the decision to go with Kubota was made solely because of their unwavering confidence in product quality.

"When we started, we used to carry other brands of construction machinery. As we gradually shifted to Kubota, however, we became convinced of the exceptional reliability of Kubota products. Take compact excavators as an example, which we consider to be our core products. Their superior operating efficiency adds to productivity without question, not to mention they don't easily fail. Our users are truly taken with their high durability." (Bachman)

Behind FCE's brisk sales of construction machinery are economic growth in the U.S. and the influx of people into the State of Florida, but it is not just such social circumstances that boosted their performance.

"What we take extra care to do is to retain the current customer base while simultaneously pitching to users of other brands. You could say that our sales team



is active both in defense and offense. The key to this approach is after-sales service, as it will eventually differentiate us from competitors. We are hoping to further expand our user services with support from Kubota." (Bachman)



Todd Bachman
President
Florida Coast Equipment
Dennis Davis
Founder
Florida Coast Equipment
Jason Watson
Vice President
Florida Coast Equipment

On top of the unwavering support, Bachman is looking forward to Kubota's next action. "There is no denying that Kubota's construction machinery line is renowned for its high reliability, but we want to see their new offerings that satisfy the market demand. For instance, competitors have already launched high-tech construction machinery that employs IoT (Internet of Things) smart sensors to prevent problems and failures. The combination of high reliability and cutting-edge technology would provide us dealers with renewed sales opportunities." (Bachman)



Mason Tractor Co.

User's voice



Matt Gravitt,
septic tank maintenance business
"To my surprise, Kubota's compact excavator didn't fail a single time during 5,000 hours of use. I must say I'm really taken with this heavy-duty machine, again."



Jack Cartwright,
landscaping business
"Once, another brand's construction machine got caught in the soft ground and was stuck, and we used a Kubota machine to pull it up. That really made me realize how powerful the suspension of Kubota machinery is."

Mason Tractor Co. A dealer in the State of Georgia

"Aggressive" products and staff serve customers well

Based in Blue Ridge, near Atlanta, Georgia, Mason Tractor Co. is among the top dealers of Kubota's construction machinery. An 80-year-old dealer of agricultural and construction



Above: CTL developing housing land
Below: compact excavator burying septic tanks

machinery, they cater to the northern central part of Georgia, where they have four locations, including their head office. Their business with Kubota started in 1977 with—like many other dealers—agricultural machinery, making them a longstanding Kubota dealer of more than forty years. In 1999, they began trading in construction machinery from other manufacturers, but they gradually increased business with Kubota from 2005, when Kubota expanded the selection of its offerings. Company owner Bill Mason explained why.

"We have dealt in Kubota's tractors for many years, during which we have been able to foster a partnership with mutual trust. Our customers place a lot of faith in the superior quality and durability of Kubota's tractors. We were thus confident that Kubota would deliver excellent construction machines, just as they do for agricultural machines. Also, Kubota's diesel engines enjoy considerable acclaim from our customers. The fact that a machine comes with a Kubota engine is a big plus for our sales. For these reasons, we decided to switch to Kubota's construction machinery." (Mason)

Mason Tractor began their dealership with agricultural machinery, but now nearly 60% of their business comes from construction machinery, with Kubota-branded machines accounting for 100%



of their compact construction machinery business. They have had a remarkable

track record of sales thus far, and Mason attributes this success to their "being aggressive." "Kubota has been aggressively expanding their product line these days, and in step with their growth momentum we at Mason Tractor are taking an aggressive stance on sales, advertising strategies, recruitment of talented people, and employee skill building programs, all of which, I believe, underpin our strong sales. Another thing that swells the number of Kubota fans is the high regard that users have for Kubota's diesel engines and after-sales services and follow-ups." (Mason)



Will Mason
General Manager, McDonough Office
Mason Tractor Co.
Bill Mason
Owner
Mason Tractor Co.

FEATURE: "Kubota Construction Machinery in the U.S."

Unfaltering Commitment to Manufacturing Excellence

Kubota's sole construction machinery production site in the U.S.



KIE's SSL production line, where Kubota's basic manufacturing stance of "local production for local consumption" is upheld

Expanding the future of food, water and the environment.

The only location of Kubota's construction machinery production in North America

About 100 km to the northeast of Atlanta, the largest city in the southeastern state of Georgia, the U.S., the city of Jefferson is home to Kubota Industrial Equipment Corporation (KIE), which is solely responsible for production of Kubota's construction machinery in North America. Together with Kubota Manufacturing of America Corporation nearby, KIE underpins Kubota's manufacturing in the U.S.

Established in 2004, KIE began operation as a producer of implements for tractors. In lockstep with the subsequent expansion of Kubota's North American business, however, its list of production items has grown longer and longer to include the mid-size tractor and then skid steer loaders (SSLs). One thing that is common to these aforementioned machines is that they are all favorites among local users in North America. Wherever it is, Kubota makes it a rule to produce locally for local consumption, that is, to build a plant as close as possible to a consumption area to produce what they want. This is the crux of a bottom-up approach - monitoring how products are being used to find what can be improved in real time and feeding back any findings to the production floor. In fact,

it was through this process that KIE began producing SSLs. When Kubota first released its SSLs in North America in 2015, they still had to export them from Japan. Given the difficulty in responding promptly to any change in demand in the growing market by exporting the products from Japan, however, Kubota decided to start operating an SSL production line in the U.S., transferring part of production to KIE in 2016. SSLs have since been produced both at KIE and in Japan, churning out quality products to the satisfaction of local users.

On a mission to achieve stable supply and superior quality

One of the most important tasks any production site is given is to accomplish stable and efficient production. To fulfill this all-important task, KIE is currently focusing on the reduction of order delivery lead-time. Any reduction in the lead-time from getting order to produce and deliver one unit of a product directly leads to increased customer satisfaction and lower costs, which then significantly enhances the product's competitive edge. This is especially true for construction machinery, whose demand fluctuates depending on economic trends, thus giving rise to the need for a flexible production setup. By continuous effort, they allocate the surplus capacity, then it is possible to expand their business. Meanwhile, KIE

is also prepared and willing to increase their local content. Since their inception, most components have been procured from overseas, but they plan to replace imports with made-in-America components in stages. At KIE, they define "manufacturing" as a broad spectrum of business activities that range "from procurement to shipment," rather than merely what happens on the production floor. In keeping with this mentality, they are making frequent visits to suppliers in the U.S., while at the same time creating a system for assisting them in improving their manufacturing, in a bid to realize "local production for local consumption" in the truest sense of the phrase.

Another important task

for a production center is to maintain a high level of quality. "High quality" is synonymous with Kubota, and to maintain such a prestigious status is something that Kubota sees as critical in order to retain its pride as a time-honored manufacturer. "It all boils down to human resource development," says Omero Renteria, KIE Manager in charge of manufacturing.

"For us to work on challenges such as shortening lead-time and assuring quality, we must improve the skills of our employees and provide them with training opportunities. To build an SSL, we have to assemble numerous components, which is rather complicated, and so operators need to be sufficiently skilled. It thus takes quality training to develop a person into a full-fledged operator. So, we develop work instruction guides and other textbooks, which feature many photographs and illustrations, in a repeated attempt to develop our employees efficiently. We are also trying to share the mindset among our team members - say, when we encounter an issue, everyone is encouraged to investigate its true cause and seek solutions. Our persisting desire is to develop an organization where people are highly motivated to make things better." (Omero Renteria)

At every production site of Kubota, KIE included, is the way of thinking of the Kubota Production System (KPS), in which the principle is "Aiming to realize inspiring manufacture by offering products and services surpassing customers' requirements" at speeds beyond 'expectations.' It is this sheer dedication to manufacturing that allows Kubota to deliver products that the market truly desires.

Plans for a brand-new plant in the U.S.

Meeting the needs of versatile applications in urban settings, compact construction machinery is instrumental in creating a comfortably constructed city. As the construction machinery market in the U.S. looks set to expand further, Kubota bears a significant responsibility to supply construction machinery to the market as it has done in so many instances. To fulfill brisk demand, the next step is taking shape: preparing to ramp up capacity for compact track loaders (CTLs) and SSLs by establishing a new plant in the Midwestern U.S. within a few years. KIE is also expected to play an essential role in such upscaling of production.

"Amid the constant changes in the needs



Kubota Industrial Equipment Corporation



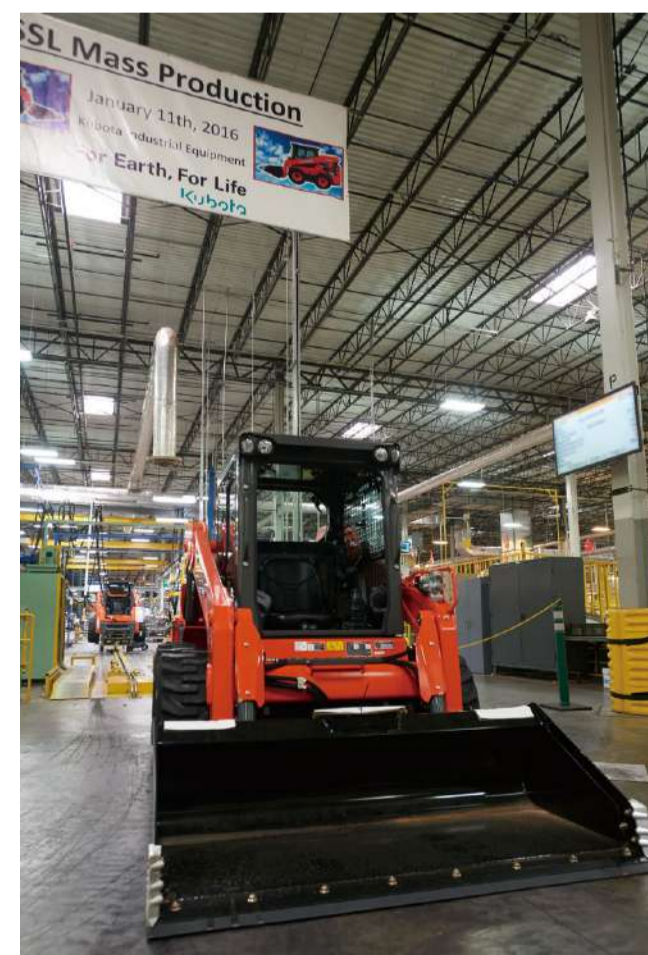
Brian Arnold
Vice President
Kubota Industrial Equipment Corporation



Omero Renteria
B2 Manager
Kubota Industrial Equipment Corporation

of the construction machinery market, we manufacturers have a role in delivering quality products that customers want under any circumstances. We have the experience of overcoming numerous challenges since we started production here back in 2016," comments Brian Arnold, KIE Vice President. "I am certain that the knowledge and know-how that we have thus amassed will be of great use in starting up another plant. Similarly, if and when we need to launch a new line of products in response to a change in preferences in this market, our previous experiences will undoubtedly be invaluable in doing so. With many such different possibilities in mind, we will strive for even greater excellence in manufacturing."

With KIE paving the way, Kubota's local production of construction machinery moves on to the next phase, and there is no doubt that further acceleration of its construction machinery business in North America is simply a matter of time.



FEATURE: "Kubota Construction Machinery in the U.S."

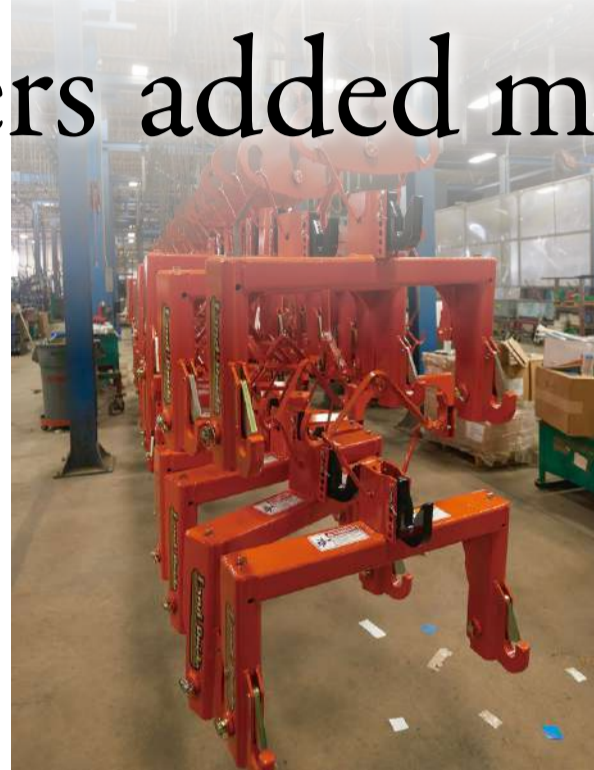
Expanding the future of food, water and the environment.

Kubota's Construction Machinery Business Accelerating Multi-Dimensional Expansion

A new partnership delivers added momentum.



Manufacturing attachments for construction machinery. Built one by one with utmost care.



A young engineer developing a new product on a computer

Leveraging each other's strengths

A major watershed in the recent development of Kubota's construction machinery business came in 2016, when Great Plains Manufacturing, Inc. (GPM) joined the Kubota Group. Founded in 1976 in Salina, Kansas, U.S., GPM has since garnered a solid reputation in North America for its manufacturing of advanced farm implements and construction attachments, which perform all kinds of jobs by drawing power from agricultural and construction machinery. One can use a single construction machine to do more than a single job—digging, transporting, and drilling—by choosing from among a wide variety of attachments to perform the task at hand. As such, construction machinery and attachments are inseparable, and their specifications need to match perfectly to yield maximum performance; hence, Kubota and GPM agreed to join hands together.

This symbiotic relationship did not come about in a day—GPM was already one of the key business partners for Kubota back in the 1980s, and this working relationship deepened in 2007, when the two companies signed a marketing alliance agreement for farm implements. At that time, Kubota's focus in the U.S. market was the marketing of its compact tractors. The alliance with GPM allowed Kubota to stably procure

implements that were a great fit for its tractors, which boosted Kubota tractors' appeal to American customers. For GPM, on the other hand, the alliance meant a significant expansion of sales channels, as they were able to distribute their implements through Kubota's dealer network. The two companies have since fostered an optimal partnership as they each tap into their own strengths for mutual benefit. The same benefits soon became apparent in Kubota's construction machinery business. In 2014, GPM began production of attachments for compact construction machinery, which coincided with the period when Kubota was about to take the offensive in the U.S. market with its newly developed compact track loaders (CTLs) and skid steer loaders (SSLs). Now, Kubota-branded attachments are available in the U.S. market, and

bundled sales of construction machines and attachments that cater to individual user needs have made a significant contribution to the growth of the construction machinery business.

"We now offer as many as 40 kinds of attachments, up from only five or so. This is definitely because we worked closely with Kubota to develop and launch new products. We are seeing growth in terms of both quality and quantity, so much so that our attachment sales are expanding rapidly," said Linda Salem, President & CEO, Great Plains Manufacturing, Inc. "I feel that our customers rate us so highly because alongside Kubota, we deliver reliable products of good quality, together with a one-stop service from development to manufacturing and distribution, as well

as after-sales service and follow-ups that make the most of Kubota's extensive dealer network."

Cultural affinity between GPM and Kubota

When the alliance between Kubota and GPM began to get into gear, the founder of GPM was seeking a buyer for the business in anticipation of his imminent retirement. Topping the list of candidates was none other than Kubota. First and foremost, Kubota was a strategic partner with which they had fostered a good relationship. However, the single biggest decisive factor was the affinity between the two companies' corporate philosophy; namely, treating their customers

and employees with the utmost care. John Quinley, President, Land Pride Division, GPM, says that this sort of integration is quite different from that which results from the common acquisition of businesses in the U.S.

"In the U.S., when your company is taken over by someone, more often than not

the acquiring party asks for sweeping changes, such as divestment of business and drastic restructuring. Kubota is not like that. They respect GPM's business and let us do things our way as much as possible. In fact, we don't have any barriers between us, and we maintain close communication. Because Kubota ensures continuity of GPM's business and invites us to literally "collaborate," we have created a new corporate culture of enhancing our respective businesses as we work together. I have to reiterate that this rarely happens in corporate acquisitions. Going forward, we will continue to deepen our relationship, so that we can achieve expansion of the Kubota Group's construction machinery business together." (Quinley)

The epitome of synergy

Three years after the two companies started down their shared corporate path, synergy from the integration has begun to show in various ways - be it on the manufacturing floor or in terms of corporate governance. One such way that Salem hails as a "very exciting collaboration" is a joint project for product development, where GPM plays the leading role with support from Kubota. Sent from Japan to support the project was Toshihiko Takemura, an expert in the development of compact construction machinery who once led the development of CTLs and SSLs.

"When I first arrived here, I had no idea how GPM would respond to our first-ever joint development project. But my concerns proved to be unfounded when I briefed my counterparts from GPM on the project. From the gleam in their eyes, I could see excitement about the challenge and a high degree of motivation. I was instantly convinced that this would work." (Takemura)



Great Plains Manufacturing, Inc.



Linda Salem
President & CEO
Great Plains Manufacturing, Inc.



John Quinley
President, Land Pride Division
Great Plains Manufacturing, Inc.

As Takemura and engineers from GPM lost no time in analyzing competitors' products on the market and carrying out repeated market surveys, a new product began to take shape. As a result of possessing different product ranges, the two companies have different sets of proprietary technologies in which they excel. By fully utilizing their respective strengths in the product development process and applying GPM's flexible approach, which they had taken to expand the product line rapidly, the challenge of the project was overcome with flying colors.

"This project marks a milestone in that it is the very first attempt by Kubota's construction machinery business to develop new products from scratch outside of Japan. Now, the fundamental characteristic of Kubota's manufacturing is to see things from the viewpoint of the people that actually use our products. If you want to develop a product that is adored in the U.S., you can make it competitive by



Toshihiko Takemura
Executive Coordinator
CE Product Development and Quality Management
Kubota North America Corporation

incorporating American sensibilities and ideas. Expanding the product line in the U.S. market is imperative for us. That being the case, this joint development project is all about attempting to promptly launch a series of products that the market really desires by making the most of the Kubota Group's resources." (Takemura)

Kubota's construction machinery business in the U.S. market has moved to a new phase by joining forces with GPM. The "developed-in-America" project that Takemura is engaged in should act as a touchstone for the future course of Kubota's construction machinery business in the U.S. It is safe to say that Kubota's construction machinery business has been going strong following the market debut of CTLs. Yet, the business environment is so changeable that anyone can drop out instantly if they fail to keep their ear to the market. To achieve sustained development of the construction machinery business, Kubota keeps challenging itself ever more aggressively.



SSL moving rocks (left) and CTL moving materials (right). With different attachments, SSL and CTL serve versatile applications.



PEOPLE

Kubota's Professionals Tackling Global Challenges

All Kubota people have a passion to be of service to people the world over and constantly challenge themselves to make this a reality. Two such professionals talk about their challenges in the global arena.

Global Work Style 1
From Asia to Latin America – Changing the World with Kubota's Construction Machinery



Eriko Ogawa

Assistant Manager
Group 4, Sales and Marketing Department
Construction Machinery Division
Kubota Corporation
Joined the company in 2007

On experiencing a high regard for things made in Japan in South America

I majored in Spanish at university. While at school, I studied abroad in Peru for a year and had the opportunity to travel around South America. At each place that I visited, I heard many people talk about the high trust they put in Japanese goods. This experience led me to seek a position at a Japanese company manufacturing industrial goods that are loved around the world. From among many such products, construction machinery caught my attention, as I could easily relate construction machinery – playing an essential role in building a city and a nation – to the betterment of people's lifestyles. I felt a strong sense of empathy with Kubota, as its mission of being of service to society was stated loudly and clearly.

After joining the company, I was assigned to the Construction Machinery Division, as I had hoped. I have been involved in the sale and marketing of construction machinery ever since. The Sales and Marketing Department, Construction Machinery Division, with which I am affiliated, has several groups dedicated to each market,

and I had been working on major markets, including those in Japan, North America, and Europe. Now I belong to a team developing new markets beyond the three major markets. My current responsibilities are rather broad, ranging from Asian countries to Latin America and Africa.

The importance of taking action after comprehending the real intent of users

What I find particularly challenging in the Asian market, which is one of our priorities, is that the level of demand maturity differs significantly from country to country, in tandem with the scale and development level of each economy. Take India and Indonesia as examples. These countries are just getting into the full swing of developing social infrastructure and urban foundations. This being the case, what we need to do is to conduct low-profile but constant efforts to create demand, such as increasing recognition of Kubota's construction machinery and providing local employees with sales and service training opportunities. In China, on the other hand, the market has been formed, and many of our daily activities need to be focused on figuring out how we should compete against other players. In order for us to survive the tough competition against rapid emerging Chinese local manufacturers, we need to come up with an optimal sales strategy by listening carefully to what the market really wants.

Having worked for various markets, I have

come to realize the importance of trying to find what is really wanted. When I was in charge of the Chinese market, someone informed me that a need existed for 2-ton machines, which came in between 1.5-ton and 3.5-ton machines in our selection. Because it was a segment that no other competitor was addressing, people in my company were rather skeptical about the information. So, I visited China to hear what our customers had to say about the idea, in order to determine its business feasibility. After the most persistent efforts to find out the real intent of our customers, we were able to conclude that 2-ton machines had a latent market in China. We then explained to relevant departments what our customers were looking for, and we eventually saw the launch of 2-ton machines. I am happy to say that our 2-ton machines have since won favor with many customers in the Chinese market. This experience of thinking over what our customers really wanted helped me to form my basic approach as a Kubota person.



Dealers and distributors from the Asia-Pacific region at the Construction Machinery Conference in Asia (Eriko Ogawa: the fourth from the right in the back row)



Assisting in the success of the Construction Machinery Conference in Asia – A fulfilling and self-enlightening experience

Working as a staff member of the Construction Machinery Conference in Asia was another experience that left a strong impression on me. Held in Seoul, South Korea, it was a huge gathering attended by 28 persons from 11 dealers and distributors in the Asia-Pacific region. I was engaged with every single task for the conference – planning the event, coordinating schedules for the participants, preparing materials and documents, and translating at the conference. The conference proved to be a resounding success, and I was able to sense the participants' determination to make use of Kubota's construction machinery for extensive social services, as well as the simple desire to expand sales of construction machinery. As I worked as a member of the conference organization team and got to know many persons, I came away from the experience feeling fulfilled and awed by the amount of my own self-growth.

Today, I have a small child and I am working a reduced schedule, and so my main responsibility is to support other members of the team, rather than traveling around the world as I did in the past. Above all, development of younger employees is a personal mission of mine that I need to fulfill. For them to grow, they need plenty of relevant experiences, a vision of a goal they want to reach, and a sense of purpose. To assist them in this regard, I will try to make it easy for them to take on various challenges, so that I can support their growth with a full understanding of their aspirations. Once my child is grown, I wish to return to the front line. When that happens, I would be truly delighted if I could work toward the development of the Latin American market, where everything started for me.

Expanding the future of food, water and the environment.

Global Work Style 2
Five-and-a-Half Years' Assignment in Germany Taught Me Much



Kengo Ota

Group 2 (Europe), Sales and Marketing Department, Construction Machinery Division
Kubota Corporation
Joined the company in 2009

Falling in love with Germany while studying there

I majored in the German language and German literature at university. Looking back, the experience of studying in Germany for a year determined the career course I would pursue. While mingling with students from other countries in Europe there, I began to feel familiar with and



Introducing wheel loaders to the European market Fielding customer complaints with the entire team working as one

attached to Germany, and I realized that I wanted to work there in the future. While I was job hunting at the university, I naturally focused on Japanese manufacturers who might give me an overseas assignment. From among many such companies, I was strongly attracted to Kubota's recruitment slogan back then: "A job that creates infrastructure that will last for a century." And so I decided to join the team.

After joining the company, I was first assigned to the Operations Group before being transferred to the Group 2, which oversees the European market. Our main markets there are Germany, France, the U.K., and Italy, but we also cover an area that ranges from Portugal and Spain in the west to East European countries, Turkey, and Israel in the east. Daily sales activities there are the responsibility of local sales companies, who take the lead in drawing up sales policies based on which sales expansion activities are organized. The sales team in Japan is responsible for supporting activities by offering input on product concept planning, developing advertising and promotion materials, and providing product training. From the time I became a member of Kubota, I kept asking for an assignment in Germany, and finally in my fifth year with the company, I was given the green light to move to Kubota Baumaschinen GmbH (KBM), Kubota's manufacturing and sales company in Germany.

In 2014, Kubota released a new wheel loader model in Europe, which marked the first full-model change in 20 years of this earthmoving machine used primarily to load loose materials. Before I was transferred to Germany, I had been involved in the development of this model in Japan, and so I was charged with the important task of identifying the market needs and feeding them back to the engineering team in Japan in order to shape a product concept. The concept behind this particular model of wheel loaders demanded a significant enhancement in load weight and operator comfort; that is, it had to be capable of loading and moving as much as two tons of materials, while at the same time achieving operator comfort with an expanded cabin. It was with significant expectations that this new model was released on the German market, whose demand is the largest in the European market.

It was around this time that I arrived in Germany, and so my first responsibility there was to promote sales of Kubota machines. Soon after the launch, however, discrepancies between the product specifications and market requirements were revealed, which resulted in frequent complaints from those purchasing the model. It was a state of emergency in which the brand credibility that Kubota had painstakingly built in Europe with its COMPACT EXCAVATOR was in danger of being jeopardized. Prompt action was

required before it was too late. Soon, all relevant sections gathered as one to make intensive improvements: the service team made customer follow-ups to anchor their trust, the sales team shared local information throughout the company, and the engineering, manufacturing, and procurement teams promptly worked on product improvements. Their assiduous efforts paid off, and we were able to solve the issues rather quickly. This series of actions by Kubota was rated highly by the customers. It left with me the lasting impression that teamwork among all departments turned what could have been a disaster into a beneficial result.

Eager to learn from new experiences

I returned home after staying in Germany for five and a half years. Having worked in a different environment, I had learned many things, including the importance of making

advance preparations. Europe is full of people of various nationalities, and it sometimes takes time to form a consensus. To get things done without losing a sense of urgency, I had to make thorough preparations. I was also made keenly aware of the need to infer the points of view of various people, all the more because I was physically close to the market. While in Germany, my counterparts were German salespersons, behind whom were local distributors and end users. Acting with the knowledge of the existence of people whose points of view vary will eventually allow them to garner trust in Kubota products.

Now I am in a position to support our business in Europe from Japan. One thing I like about Kubota's Construction Machinery Division is the culture of encouraging people to do whatever they wish. In other words, you are allowed to take on any challenge if you act on your own initiative. I am hoping to become a better person by building knowledge from new experiences, just as I did while in Germany.



Kengo Ota (far left in the front back row) posing with his peers in Germany, who assisted him through thick and thin

Developing Urban Infrastructure is Kubota's Mission

For Earth, For Life



Kubota's construction machinery business proclaims its identity as a "manufacturer of construction machinery contributing to the creation and revitalization of a prosperous and comfortable living environment." This resonates with SDG 11, "Sustainable Cities and Communities – Make cities and human settlements inclusive, safe, resilient, and sustainable." Kubota's overriding corporate mission is to develop urban infrastructure around the world. Featured in this issue, the U.S. market is the site of a set of challenges in urban infrastructure development that is unique to a developed country whose economy keeps growing. From a global perspective, however, development of urban infrastructure poses an urgent issue in Asian countries, where populations are exploding, and economic growth is accelerating. As people migrate from rural to urban areas in those countries, it is necessary to develop urban infrastructure to accommodate the swelling population in cities. It is safe to assume that this trend will spread to countries in Africa and Latin America in the coming days. Kubota now supplies its compact construction machinery around the world, but it intends to accelerate its outreach in this regard. If we can tap into the knowledge and knowhow that Kubota's construction machinery business will have gained from the U.S. market to continue to fulfill our mission of developing the urban infrastructure of the world, Kubota will make a giant step toward its goal of becoming a "Global Major Brand."



The content of the articles included in this volume are accurate as of the period from September through November 2019, which was when the interviews were conducted.

“GLOBAL INDEX” back numbers

Since it was first published in 1992, “GLOBAL INDEX” has covered social issues around the world. Listed below are some of the back numbers of this annual publication.



GLOBAL INDEX 2019

Previous issues (magazines and web contents) can be viewed from the special “GLOBAL INDEX” website.

Please visit the special “GLOBAL INDEX” website for details.

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