

Basic Management Policy and Priority Measures

Moving toward the future, changing the world.



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May 18, 2015

1. Review of last fiscal year
2. Prospects for current fiscal year
3. Basic management policy
4. Priority Measures
5. Conclusion



1. Review of last fiscal year

▶ Japan

- ▶ Sales of farm machinery decreased substantially. Sales of construction machinery and engines were strong.

▶ Overseas

- ▶ North America: Tractors grew due to the economic recovery. Construction machinery and engines increased substantially.
- ▶ Europe: Tractors, construction machinery, and engines increased.
- ▶ Asia: Sales in China were weak. Sales in Southeast Asia, including Thailand and India rose.

[Revenues by region]

(Billion yen)

	Year ended Mar. 31, 2015	Year ended Mar. 31, 2014	Changes (%)
Japan	561.2	638.3	- 12.1
Asia outside Japan	304.6	284.0	+ 7.3
North America	443.8	356.9	+ 24.3
Europe	210.8	177.5	+ 18.8
Other	66.6	51.9	+ 28.2
Total	1,586.9	1,508.6	+ 5.2



1. Review of last fiscal year

- ▶ Revenues recorded the historical high for the third consecutive year.
- ▶ Operating income and net income attributable to Kubota Corp. achieved a historical high for the second consecutive year.

(Billion yen)	Year ended Mar. 31, 2015	Year ended Mar. 31, 2014	Changes		Variance from forecast (Feb. 2015)	
	Amount	Amount	Amount	%	Amount	%
Revenues	1,586.9	1,508.6	+ 78.3	+ 5.2	+ 36.9	+ 2.4
Operating income	12.9% 204.1	13.4% 202.4	+ 1.7	+ 0.8	+ 4.1	+ 2.1
Net income attributable to Kubota Corp.	8.8% 140.0	8.7% 131.7	+ 8.4	+ 6.3	+ 10.0	+ 7.7



2. Prospects for current fiscal year

▶ Japan

- ▶ Farm machinery: Recovery from an adverse reaction to the special demand prior to Japan's consumption tax hike. Due to a decline in rice prices, agricultural machinery business will still be severe.
- ▶ Public works: Performance will be steady due to firm demand for reconstruction work and infrastructure replacement.

▶ Overseas

- ▶ North America and Europe: Business will continue to expand moderately.
- ▶ Asia: Sales in China will recover due to the lifting of suspension of subsidies. Thailand will be steady due to the favorable conditions in upland farming market and neighboring countries.



2. Prospects for current fiscal year

Planned to change fiscal year-end from March 31 to December 31
(The transitional period will be the nine months' results.)

- ▶ Revenues will increase in domestic, North America and Asia. Europe will decrease due to the effect of euro depreciation.
- ▶ Profits will increase due to increased revenues and effect of yen depreciation.

(Billion yen)	Year ending Dec. 31, 2015 (Forecast)	Nine months ended Dec. 31, 2014	Changes
Revenues	1,250.0	1,144.7	+ 9.2% + 105.3
Operating income	13.2% 165.0	13.0% 149.3	+ 10.5% + 15.7
Net income	8.8%	8.9%	+ 8.5%
attributable to Kubota Corp.	110.0	101.4	8.6



3. Basic management policy

▶ Basic management policy

- (1) Based on the mid-term plans , will work to achieve 2 trillion yen in revenues as soon as possible
- (2) Thorough pursuit of synergies

▶ Priority measures

- (1) Steady development in strategic business areas
- (2) Globalization of management
- (3) Improve profitability in the Water & Environment business
- (4) Revitalize the farm equipment business in Japan



3. Basic management policy

(1) Based on the mid-term plans, will work to achieve 2 trillion yen in revenues as soon as possible

Complete the mid-term plan for the overall Group within the first half

- ▶ To achieve long-term objectives, set forth mid-term target in three to five years and clarify road map and strategy
- ▶ Establish plan for business divisions and back-office divisions that support them

Long-term objective

Establish Kubota brand as a global major brand



3. Basic management policy

(1) Based on the mid-term target, will work to achieve 2 trillion yen in revenues as soon as possible

Performance objectives

- ▶ Revenues: FY2017 (2 years later) 2 trillion yen
FY2019 (4 years later) 2.5 trillion yen
- Maintain annual growth by around 10%
- ▶ Profit: Targeting increase in operating margin above the present level in 2 years and 4 years from now



Opens prospects for obtaining long-term objective by achieving the mid-term target



3. Basic management policy

(2) Thorough pursuit of synergies

- ▶ Great growth potential by realizing synergies from a number of business as that belong to Farm & Industrial Machinery and Water & Environment Domain
- ▶ Starting with structural transformation, accelerate the Groupwide initiatives
 - Establish the position of Executive Officer in charge of each Domain
 - Electronic Equipment Machinery is reported in Farm & Industrial Machinery
 - Enact large-scale reforms in Kverneland AS, including personnel changes
 - Newly establish Water & Environment Engineering Overseas Dept. in Water & Environment Domain



Pursuit the Synergies



4. Priority measures

(1) Steady development in strategic business areas

Farm machinery business for upland farming use

Large-scale farm machinery: Launch up to 170hp tractors

- ▶ Ensure the best quality, cost, and delivery that outlast and outperform the competitors
- ▶ Set up and strengthen sales and service network to meet the demands of professional farmers
- ▶ Started the project of further expansion of product line (Large-scale)
- ▶ U.S sales subsidiaries decided to relocate headquarters (CA → TX)
Prompt response to the trend in farm equipment business



Establish position as one of the major players in the global farm machinery market



4. Priority measures

(1) Steady development in strategic business areas

Farm machinery business for upland farming use

Emerging countries: Based on “Market-in strategy,”*
continue launches in farm machinery and implement
for upland farming use

- ▶ India: Versatile multi-purpose tractors
- ▶ China: High-horsepower tractors for upland farming use,
wheel drive combines
- ▶ ASEAN: Offer implements suited to local crops



By cooperation with farm machinery
business for rice paddy field, accelerate
growth farm machinery as a whole

*“Market-in strategy”: Focus on meeting the needs of
markets on a wider and more-thorough basis



Wheel drive type corn combines manufactured
in China



4. Priority measures

(1) Steady development in strategic business areas

Construction machinery business in North America

Launch skid steer loaders

- Completion of full lineup product system

- ▶ Implementing aggressive realignment of the sales network
- ▶ Planning to start production in FY2016 in U.S

Optional future plan for establishment of an exclusive construction machinery plant



Aiming to be world's No.1
as a comprehensive manufacturer of
the small-scale construction machinery



New products to be launched in FY2015
(skid steer loaders)



4. Priority measures

(1) Steady development in strategic business areas

Water & Environment Business Overseas

Draw on extensive Group resources and capabilities to take full advantage of various products and technologies

- ▶ Narrow region/technologies/products
in Water & Environment Engineering Overseas Dept.
- ▶ Switch to enhance and expand business
development by leveraging strengths of Kubota Group



Promote business expansion,
centering on Asia/Middle East



4. Priority measures

(1) Globalization of management

As the ratio of overseas revenues to total consolidated revenues is now greater than 60%, globalization of management is an unavoidable issue for the Company.



Focus on the following three business priorities:

Strengthen R&D

Establish Kubota Production Method

Improve management efficiency



4. Priority measures

(2) Globalization of management

Strengthen R&D

Prioritizing the allocation of funds to expand personnel/facilities and create flexible development system that is not restrained by in-house development policy

- ▶ Expand domestic mainstay R&D facility
 - Newly establish R&D building in Sakai plant
- ▶ Foster overseas facilities that lead community-based R&D
 - Newly establish R&D facilities in Thailand
- ▶ Secure human resources in Japan and overseas, also use outside resources effectively



Establish development system to respond to further globalization



4. Priority measures

(2) Globalization of management

Establish “Kubota Production Method”

- ▶ Promoting the Kubota production method globally
 - Establish “Kubota Production Method” which enable to realize drastic reduction of production costs by complete elimination of all waste at “mother factory”, and promote it globally



Realize the highest level of standards of “Made by Kubota”
in terms of quality, cost, and delivery worldwide

- ▶ Expand global procurement activities and pursue globally optimal procurement system
 - Started information sharing through “Optimal procurement system”
 - Strengthen local procurement capabilities in emerging countries



4. Priority measures

(2) Globalization of management

Improve management efficiency

- ▶ Align the fiscal year-end through out the Group
 - Strengthen and refine consolidated management and improve operational efficiency through adopting uniform account closing
- ▶ Also focus on maintain sound financial management
 - Promote optimizing assets and disposal of idle assets
 - Improve cash flows and strengthen financial position
- ▶ Aim to exceed 30% return to stockholders each FY



Maintain sound financial management with balance between stable returns to shareholders and investments for growth



4. Priority measures

(3) Improve profitability in the Water & Environment business

Priority on improving profitability in lower-margin business and eliminating deficits in some business.

- ▶ Recover competitiveness in the domestic market
- ▶ Take thoroughgoing measures to reduce COGS and fixed costs in low-profit businesses and maximize profitability by enhancing the attractiveness of products.
- ▶ For businesses showing losses, confirm their viability at the individual product level, and implement reform measures, including the options of withdrawal from the business and spinning them off into separate companies.
- ▶ Pursue synergies through organizational reforms



Take advantage of the stronger business base in Japan to realize further international development



4. Priority measures

(4) Revitalize the farm equipment business in Japan

Proceed to respond to challenging market conditions and structural changes

- ▶ Focused on challenging targeted activities
 - Demonstrate product appeal/sales capabilities that outlast and outperform the competitors
- ▶ Proceed to respond forcefully to structural changes
 - Strengthen service capabilities
 - Propose such new methods of operation as “smart agriculture”
 - Support the development of agriculture as a sixth sector



← Use of IT visualization of farm management (KUBOTA Smart Agri System)



← Iron-coated direct seeding machine realizes labor saving and low cost



Comprehensive contributions to agriculture in Japan through expansion of farm machinery and other agriculture-related businesses, including peripheral businesses.



6. Conclusion

- “Priority on Onsite” and “Customer First Principle” are the most important policies for management
- Make sure to clear milestone marker that was set in the mid-term plan without fail

Share business policies and draw on all the Group's strengths

Achieve medium- to long-term objectives, and realize sustainable growth for the long term

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.



Moving toward the future, changing the world.



For Earth, For Life
Kubota