

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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5. Conclusion



1. Review of last fiscal year

▶ Japan

- ▶ Sales of farm equipment increased owing to a rebound in reaction to the decline in the prior year that was caused by Japan's consumption tax hike. Sales of construction machinery increased substantially.

▶ Overseas

- ▶ North America: Sales of midscale tractors decreased.
Sales of compact tractors and construction machinery increased.
- ▶ Asia: Sales in Thailand were weak. Sales in China and Southeast Asia increased.
- ▶ Europe: Sales of implement for professional farmers were weak.
Tractors, construction machinery, and engines increased.

[Revenues by region]

(Billion yen)	Nine months ended Dec. 31, 2015	Nine months ended Dec. 31, 2014	Changes (%)
Japan	401.9	382.7	+ 5.0
North America	395.6	340.2	+ 16.3
Asia outside Japan	241.0	218.6	+ 10.2
Europe	150.0	151.0	- 0.6
Other	56.3	47.9	+ 17.6
Total	1,244.8	1,140.4	+ 9.2



1. Review of last fiscal year

Record highs for performance (for the nine months ended)

- ▶ Revenues were at a historical high for the fourth consecutive year.
- ▶ Operating income and net income attributable to Kubota Corp. rose to a historical high.
- ▶ Provide 34% return to shareholders (dividends + retirement of own shares.)

(Billion yen)	Nine months ended Dec. 31, 2015 (Apr. 2015 - Dec. 2015)	Same period last year (Apr. 2014 - Dec. 2014)	Changes		Variance from forecast (Nov. 2015)	
	Amount	Amount	Amount	%	Amount	%
Revenues	1,244.8	1,140.4	+ 104.4	+ 9.2	5.2	0.4
Operating income	13.4% 166.9	12.9% 147.1	+ 19.8	+ 13.4	6.1	3.5
Net income attributable to Kubota Corp.	8.8% 110.1	8.8% 100.3	+ 9.8	+ 9.8	4.9	4.3

2. Prospects for current fiscal year

▶ Japan

- ▶ Machinery: Farm equipment business will expand at a moderate pace due to the recovery in rice prices and accelerate strong sales initiatives. But construction machinery sales to rental companies will decrease.
- ▶ Public works: Demand will be steady, despite negative impact from suspension of business.

▶ Overseas

- ▶ North America: New products of construction machinery and tractors (SSL/ M7) will support the business.
- ▶ Europe: Business will expand due to development of upland farming business.
- ▶ Asia : Thailand will recover from the decline caused by drought. Sales in China, India, and Southeast Asia will continue to grow.



2. Prospects for current fiscal year

- ▶ Revenues will increase in domestic market, North America, Europe, and Asia.
- ▶ Profits will increase as the impact of higher revenues will exceed the negative impact of yen appreciation.
- ▶ Revenues and profit will record the historical highs again.

(Billion yen)	Year ending Dec. 31, 2016 (Forecast) (Jan. 2016 - Dec. 2016)	Same period prior year (Jan. 2015 - Dec. 2015)	Changes
Revenues	1,750.0	1,688.6	+ 3.6% + 61.4
Operating income	13.4% 235.0	13.2% 222.9	+ 5.4% + 12.1
Net income	8.9%	8.8%	+ 3.8%
attributable to Kubota Corp.	155.0	149.4	5.6



3. Basic management policy

▶ Basic management policy

- (1) Pursuit of “Global Major Brand (GMB) Kubota”**
- (2) Expand revenues based on the mid-term plan**

▶ Priority measures

- (1) Accelerate development of strategic businesses**
- (2) Globalize the management functions**
- (3) Revitalize the farm equipment business in Japan**
- (4) Restructure the Water & Environment business**



3. Basic management policy

(1) Pursuit of “GMB Kubota”

Become the brand that contributes the most to society because it is the most trusted by its customers

- ▶ “ Products that impress customers” ← R&D structure
- ▶ “ Plants that impress customers” ← Manufacturing structure
- ▶ “ Strong spirit of challenge” ← Personnel development structure
- ▶ “ Vision, pride, and confidence on onsite” ← Management structure

Based on the principles of “Priority on Onsite” and “Customers First”, greatly improve the level of each element of management systems



3. Basic management policy

(2) Expand revenues based on the mid-term plan

Positioning of mid-term plan

- ▶ Specific path leading to attainment of long-term objectives
- ▶ Aligning direction of Group employees

Performance objectives

- ▶ Revenues: FY2017 (1 year later) 2 trillion yen
FY2019 (3 years later) 2.5 trillion yen

Grow revenues by building “GMB Kubota”

- ▶ Profit: Maintain and improve operating margin

Until new businesses achieve enough profitability,
secure higher earnings from existing businesses

➡ Achieve both revenues and profit as a Group



4. Priority Measures

(1) Accelerate development of strategic businesses

Farm machinery business for upland farming use

Large-scale farm equipment: Strengthen production and distribution of 170-horsepower class tractor

Emerging countries: Launches in farm machinery and implement for upland farming use

- ▶ India : Multi-purpose tractors
- ▶ China : Wheel drive combine harvesters
- ▶ ASEAN : Adapt implements for indigenous crops



The assembly line of large-scale tractors
(France manufacturing subsidiaries)

Start full-scale sales since current fiscal year



4. Priority measures

(1) Accelerate development of strategic businesses

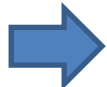
Farm machinery business for upland farming use

Further advances in larger-scale farm machinery

- ▶ Improving the commercialization speed of over 200-horsepower class tractors

Geographical market expansion

- ▶ Full-scale entry into the tractors market for upland farming in China
- ▶ Examine entry into Latin American markets

 Strengthen the power of business through entry into the markets under severe conditions



By concentration of the Group's resources, promote expansion of farm machinery business for upland farming and make it one of core business



4. Priority measures

(1) Accelerate development of strategic businesses

Machinery business in North America

- ▶ Market penetration of Large-scale tractors/ SSL
- ▶ Expanding its line-up of products in utility vehicles, mowers, and construction machinery



Significant future growth by reaching a new customer segments

- ▶ Strengthen business operations structure
 - Build strategic business base (relocate sales company)
 - Construction of dedicated utility vehicles plant/ strengthening of production capacity
- ➡ Promote further strengthening of local production, product development, human resources, and business infrastructure



4. Priority measures

(2) Globalize the management functions

Enhance management foundations on a global basis



Realize “GMB Kubota”

Priority implementation Items

Strengthen R&D

Establish the “Kubota Production Method”

Improve management efficiency



4. Priority measures

(2) Globalize the management functions

Strengthen R&D

- ▶ Establish R&D facilities in Sakai plant and Thailand (under construction)
- ▶ Expand R&D personnel both in Japan and overseas
Overseas R&D personnel increased 30% in 2 years
- ▶ Collaborate with outside parties such as universities and companies in different business fields

Build solid R&D structure which enable
winning over global major competitors



- ▶ Sophistication in core technologies and acquisition of advanced and new technologies
- ▶ Accelerate commercialization of all projects

Implement product development
needed for the mid-term plan



4. Priority measures

(2) Globalize the management functions

Establish the basic Kubota style policy

Established a basic policy that combines the production methods of advanced companies with Kubota's unique approaches and methods.

Developing its stronger production on a global scale

- ▶ Start promoting and putting in place Kubota Group policy in domestic plants
- ▶ Overseas, introduce it sequentially from newly established plant
- ▶ Expand it to the partner companies through improvement community activities led by procurement department



Realize substantial improvement in the level of excellence in manufacturing in the Group as a whole



4. Priority measures

(2) Globalize the management functions

Improve management efficiency

- ▶ Align the fiscal year-ends of Kubota Group companies
 - Strengthen and refine Group consolidated management systems and make operations more efficient
- ▶ Maintain sound financial management/ improve cash flows
 - Build stronger awareness within the Kubota Group of strengthening asset administration
 - Further improve many management functions from orders to sales by efforts to reduce inventories



Raise its comprehensive strengths and maximize cash flow to provide funding for growth



4. Priority measures

(3) Revitalize the farm equipment business in Japan

Take appropriate actions in the midst of tough market conditions and structural changes

- ▶ Endeavor to provide products/ services/ implement marketing activities that are superior to competitors
- ▶ Increase organizational efficiency/ restructure operating systems
- ▶ Create new business opportunities
 - ICT-based agricultural support system (KSAS)
 - Establish agricultural production companies like “Kubota’s Farm”
 - Expand rice-export



“Kubota's farm” Contribution to farmers by providing solutions through Kubota's farm

By using resource to the fullest extent, aim at providing solutions for the issues confronting farmers



4. Priority measures

(4) Restructure the Water & Environment business

Overseas Business

Focusing of target regions and technologies,
and pursuing business development based on the
strengths of the Kubota Group

- ▶ In addition to infrastructure construction, obtained several order for water treatment facility from tenant companies in the Tilawa Special Economic Zone in Myanmar
- ▶ Aim at providing integrated environment solutions by deploying all the technologies and products gained by the Kubota Group
- ▶ Pursue further synergies through endeavors to strengthen collaboration among various business locations and subsidiaries



4. Priority measures

(4) Restructure the Water & Environment business

Implement measures to respond to the situation of each product

- ▶ Pipe-related products - Market in Japan reached maturity
 - Establish profitable operations without relying on expansion in sales volume.
- ▶ Environment-related products - Intensely competitive in Japan
 - Offering packages of operation and maintenance services.
- ▶ Industrial castings business - Overall optimization of its overseas production plant network
 - Reform each site and further redevelop the business infrastructure



Focusing on maximizing profitability in existing markets in order to generate resources for creating new markets, principally in Asia.



5. Conclusion

- Review short-term plans from time to time as market conditions change
- Implement constant management policies based on long-term perspective
- Constant growth strategies. Be resolute to promote their implementation



With a strong spirit of “challenge”, build a management foundation (business structure/ quality, cost and delivery/ personnel/ dignity) befitting to “Global Major Brand Kubota”



Cautionary Statements with Respect to Forward-Looking Statements

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