

Basic Management Policy and Priority Measures



Masatoshi Kimata
President and Representative Director
Kubota Corporation
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1. Review of Last Fiscal Year

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Kubota

- Japan : Tractors recovered from stagnating sales. Construction machinery (hereinafter, "CE") increased. Water & Environment remained at almost the same level.
- Overseas :
 - North America : Strong sales of CE and engines. Tractors increased as well. Acquisition in 2016 contributed to higher sales.
 - Europe : Continued strong sales of CE and engines. Implement business for agriculture recorded double digit growth.
 - Asia : Rice transplanters, CE, and engines increased significantly in China.

(Billion yen)	Year ended Dec. 31, 2017	Year ended Dec. 31, 2016	Changes
Japan	564.2	551.4	+ 2.3%
North America	546.1	479.9	+ 13.8%
Asia outside Japan	342.9	306.0	+ 12.1%
Europe	226.7	192.5	+ 17.8%
Other	71.7	66.2	+ 8.2%
Total	1,751.5	1,596.1	+ 9.7%

KUBOTA Corporation (Financial results for the year ended December 31, 2017) 3

- Revenues increased mainly in overseas Farm and Industrial Machinery business from 2016.
- Domestic revenues increased due to increased revenues in Farm & Industrial Machinery, which was mainly due to recovery from stagnating agricultural market. Meanwhile, revenues in Water & Environment remained at almost the same level as in 2016.
- Overseas revenues increased significantly. Revenues of Farm and Industrial Machinery business increased. On the other hand, revenues of Water and Environment decreased due to decreased sales of ductile iron pipes.
- Especially for CE and engine business, sales increased significantly in all core markets for us due to worldwide favorable business conditions, and strong demand in the construction industry.
- Overall, overseas farming machinery business was strong.
- In North America, sales of compact tractors for wealthy customers increased. A business acquired in 2016 (Great Plains Manufacturing, Inc., hereinafter GPM) also contributed to higher revenues.
- In Europe, sales of tractors increased, and sales from implement business recorded double-digit growth.
- In Asia outside Japan, revenues in Thailand resulted in a minor increase. On the other hand, revenues from rice transplanters in China increased significantly.

1. Review of Last Fiscal Year

For Earth, For Life
Kubota

- Sales hit the high record.
- Operating income and net income attributable to Kubota Corporation increased as well from 2016.
- An increase in net income attributable to Kubota Corporation resulted in a minor increase due to the federal corporate tax rate cut in the United States.

(Billion yen)	Year ended Dec. 31, 2017	Year ended Dec. 31, 2016	Changes		Variance from revised forecast (Nov. 2017)	
			Amount	%	Amount	%
Revenues	1,751.5	1,596.1	+155.4	+9.7	+51.5	+3.0
Operating income	11.4% 198.8	11.8% 188.8	+10.0	+5.3	+0.8	+0.4
Net income attributable to Kubota Corp.	7.8% 136.4	8.3% 132.5	+4.0	+3.0	-3.6	-2.5

KUBOTA Corporation (Financial results for the year ended December 31, 2017) 4

- Revenues hit a record high.
- Operating income and net income attributable to Kubota Corp. increased as well despite severe sales competition and increased upfront investment to create new market.
- Net income attributable to Kubota Corp. resulted in a minor increase because the federal corporate tax rate cut has been determined in the United States. But that was a temporary factor.
- I explained basic policies for three years (2017 – 2019) in results briefing in 2017.
- “Expansion in business area”, which is one of the core measures, progressed well.
- We have expanded selection of CE products for a few years, and CE business in North America increased significantly in 2017. In Europe, tractors for upland farming and implement business increased market presence in addition to CE and engines.
- In Asia outside Japan, multi-purpose tractors in India and wheel drive combine harvesters in China started penetrating market. We completed some preparations for introducing products, which were developed in R&D center in Thailand into ASEAN market.
- Agricultural market in each region has some kind of issues and all of measures have not been carried out smoothly. But we felt good responses from the market and others surely.

2. Forecasts for the Year Ending Dec. 2018

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➤ Domestic Market

- Farming machinery forecast to remain near the same level. We expect higher sales of equipment to large farms to compensate for lower sales of equipment to small- and medium sized- farms due to aging.
- Small sized CE forecast to increase due to recovery from the concentrated demand for large sized CE caused by stronger emissions regulations in 2017.

➤ Overseas market

North America : CE and tractors expect to increase.

New model of UV expects to contribute to higher sales.

Europe : Continued strong sales of CE and engines.

Asia : Sales in Thailand and neighboring countries expect to increase due to higher rice prices and recovery from flooding.

Continued sales growth in China and India.

KUBOTA Corporation (Financial results for the year ended December 31, 2017) 5

- We anticipate domestic sales in farming machinery remain near the same level and sales in CE increase from 2016.
- Higher sales of equipment to large farms expect to compensate for lower sales of equipment for small and medium sized farmers caused by aging.
- Concentrated demand for large sized CE expects to return to normal conditions and demand for small sized CE, which is our core business, expect to increase.
- We plan to increase sales in all of core market.
- In North America, UV newly introduced will increase in addition to increase in sales of CE, and small- and mid-sized tractors. CE and engines in Europe expect to continue to grow.
- In Asia outside Japan, we expect sales will increase due to higher rice prices and recovery from flooding in Thailand and neighboring countries. Sales in China expect to increase due to newly introduced combine harvesters in 2018. Sales in India expect to continue to increase as well due to strong efforts for expanding sales of multi-purpose tractors.

2. Forecasts for the Year Ending Dec. 2018

For Earth, For Life
Kubota

- Kubota will adopt International Financial Reporting Standards (hereinafter “IFRS”) from the FY 2018.
- Revenues expect 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 expect to also increase.

(Billion yen)	Year ending Dec. 31, 2018 (Forecast, IFRS)	Year ended Dec. 31, 2017 Actual, IFRS [reference]*	Changes	
			Amount	%
Revenues	1,820.0	1,751.5	+68.5	+3.9
Operating profit	11.7% 213.0	11.4% 200.5	+12.5	+6.2
Profit attributable to owners of the parent	8.3% 151.0	7.4% 128.7	+22.3	+17.3

* The financial results for the year ended December 31, 2017 are approximate values tentatively calculated in February 2018, and subject to change depending on the accounting audit results. Furthermore, Kubota Corp. has adopted IFRS 9 since the fiscal year ending Dec. 31, 2018. The financial results for the year ended December 31, 2017 on the above sheet are presented excluding gain on sales of securities-net in order to compare under the same conditions.

KUBOTA Corporation (Financial results for the year ended December 31, 2017) 6

- As I said in the result briefing in last year, we start adopting International Financial Reporting Standard (IFRS) from 2018.
- Revenues and operating profit will increase compared to those in 2017 based on the same reporting standards.
- We will overcome this difficult situation by enhancing business infrastructures continuously, although it expect to take some time for agricultural market to recover or get back to normal conditions.

3. Basic Management Policy

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Kubota

◇ Basic management policy

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

◇ Priority measures

- (1) Pursue renewed growth opportunities by expanding the business domains
- (2) Improve profitability and enhance the business structure
- (3) Enhance technology development and improve efficiency
- (4) Globalize corporate management as a whole

- We will instill and deepen this management policy through carrying out these measures thoroughly.

3. Basic Management Policy

For Earth, For Life
Kubota

(1) Accelerate the measures to build global major brand (GMB)

“GMB” defined as the brand that can make the greatest social contribution as a result of being trusted by the largest number of customers

- Each business division has formed an action plan to realize GMB drafted during the prior period. – It covers the five-year period, and Farm & Industrial Machinery department is looking ahead seven to ten years.
 - ✓ Prioritize speed and optimization of Kubota Group
 - ✓ Change priorities and allocations of business resources if needed
- We recognize “SDGs” as the keystone of our activities for social contribution supporting our ultimate goals:
 - ✓ Contribute to achievement of “SDGs” in business areas related to food, water, and the environment
 - ✓ Expand and strengthen each business activity from the viewpoint of contribution to SDGs achievement

KUBOTA Corporation (Financial results for the year ended December 31, 2017) 8

- The Company’s long-term goal is to become a Global Major Brand, or in other words a brand that can make the greatest social contribution as a result of being trusted by the largest number of customers.
- Farm & Industrial Machinery divisions, which are the core businesses for GMB, created action plans looking ahead 7 to 10 years during the prior period to achieve the goal. The other business divisions created plans for 5 years. All of them will carry out each plan from this period.
- We will prioritize speed and total optimization of Kubota Group. In addition, we will review the progress of them and change the priorities and allocations of business resources depending on the situation.
- The ultimate goals of GMB is to contribute to our society.
- We will recognize “SDGs” as the keystone of our activities to build GMB.
- We are one of the companies which can make large contribution to achievement of SDGs because our business fields are deeply related to food, water, and the environment.
- We will clarify the connection between SDGs and our business and expand and enhance our business activities from the viewpoint of contribution to SDGs.
- In addition, we will publicize our activities and progresses.

3. Basic Management Policy

For Earth, For Life
Kubota

(2) Prioritize profitability thoroughly

Continuous expansion of income supports further growth of our businesses, as a foundation for continuous expansion of customer base

- Strengthen addresses for upfront investment to develop untapped markets which will lead to lower profitability for the time being
 - ✓ Maximize the effect of upfront investment
 - ✓ Thoroughly improve profitability and reduce costs in all types of business activities

- It is essential to expand income continuously for the purpose of expanding our customer base as a brand, which the largest number of customers trust.
- However, it is inevitable that our upfront investment for developing untapped market leads to our lower profitability.
- We will improve profitability and reduce costs in all types of business activities thoroughly along with maximizing the effect of upfront investment.
- We will carry out 4 priority measures in accordance with these 2 basic policies.

4. Priority Measures

For Earth, For Life
Kubota

(1) Pursue renewed growth opportunities by expanding the business domains

- Accelerated business development in strategic field until the prior year
 - ✓ Introduced various new products
 - M7 series tractor with 170 HP <Europe, North America, etc.>
 - Skid steer loaders <North America>
 - Multi-purpose tractors <India>
 - Wheel drive combine harvesters <China>
 - ✓ Established business foundation, such as operations of production, sales, and services



Create renewed growth opportunities and yield steady results



New headquarter of sales company in Texas of US, which is located in high demand area

KUBOTA Corporation (Financial results for the year ended December 31, 2017) 10

- We have carried out business development in strategic field as a priority measure until the prior period. As a result, we formed business infrastructure, such as development of new products and structures of manufacturing, sales, and services.
- We have completed first step to achieve our growth in the strategic field.
- We will develop these progresses into our renewed growth opportunities and yield steady results by utilizing these efforts.

4. Priority Measures

For Earth, For Life
Kubota

(1) Pursue new growth opportunities by expansion in business area

➤ Upland farming machinery business

Address certain challenges encountered during full-scale entry into the upland farming machinery market

- ✓ Introduce improved machinery and strengthen our dealer network further with the holding company we established last year in charge
- ✓ Strengthen the capabilities for sales and services in high demand markets with our sales company which moved to Texas and a new branch office to be established in Kansas in charge
 - Plan to establish new distribution center in Kansas

Strengthen presence in emerging and frontier markets

- ✓ Established sales company in Mexico as our strategic hub to achieve growth in Central and South America
 - Promote the customer-friendly management in this promising market
- ✓ Create new business opportunities in emerging markets such as India, Eastern Europe, and Turkey, as well as frontier markets such as Brazil, and Kenya
 - Priority onsite and free ourselves from the conventional way

KUBOTA Corporation (Financial results for the year ended December 31, 2017) 11

- In the upland farming machinery business, the Company's full-scale entry into the market for large tractors has enabled it to pinpoint customer needs and business challenges, that differ from those in the past, related to products, sales strategies, and services.
- We will make further efforts to expand business and increase profitability by swiftly implementing specific measures to address such needs and challenges.
- We will introduce improved machinery and strengthen our dealer network further with the holding company, which we established last year.
- We will strengthen the capabilities for sales and services in high demand area utilizing the sales company (moved their headquarter to Texas near to the core market), and new branch, which will be established in Kansas.
- We plan to establish a new distribution center in Kansas, which will cover all areas of the United States.
- We established a sales company in Mexico as the strategic hub to achieve growth in Latin America.
- We will promote the customer-friendly management in the promising market.
- We will make efforts to create new business opportunities in the emerging markets, such as India, Eastern Europe, and Turkey, as well as frontier markets, such as Brazil, and Kenya by freeing ourselves from the conventional way and prioritizing onsite.

4. Priority Measures

For Earth, For Life
Kubota

(1) Pursue new growth opportunities by expansion in business area

➤ Overseas CE business

Achieved high rate of growth by improving selection of products and introducing new products continuously

- Large spaces for further growth because we haven't offered all types of products covering whole markets
- Expand lineup of products further and local production, and accelerate utilization of innovative technologies such as IoT

Develop emerging markets

- ✓ Market of compact CE started to grow in ASEAN regions following the market in China
- ✓ Increase brand presence in emerging market earlier than our competitors by allocating business resources into them

- We achieved high rate of growth by improved selection of products and introduced new products continuously in the overseas CE business.
- Our product selection is not enough to cover all the market needs. On the other hand, we recognize this situation as a huge opportunities of growth.
- We will accelerate expansion of products lineup, local production, and utilization of innovative technologies such as IoT.
- Demand for small CE has concentrated on developed countries, but market of them started growing in ASEAN regions following the market in China.
- We will increase our brand presence in emerging market earlier than our competitors by allocating business resources into these markets.

4. Priority Measures

For Earth, For Life
Kubota

(1) Pursue new growth opportunities by expansion in business area

➤ Engine business

Hit a record high in terms of shipment volume in 2017

- ✓ Continued to comply with emissions regulations in respective geographic regions steadily
- ✓ Carry out product development answering market needs thoroughly

Strengthen management measures for medium to long term further growth

- ✓ Develop larger engines
- ✓ Address new emission regulations in Europe from 2019(Stage V) steadily
 - Improve clean engine exhaust system and efficiency
- ✓ Expand production capacity to meet growing demand

V5009 engine which satisfies EU Stage V
(Displacement:5.0L / Output:157.3kW)



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- In the engine business, we have been steadily developing the technologies to satisfy emissions regulations in respective geographic regions, and achieving growth stemming from its efforts to carry out product development answering to market needs.
- As a result, we hit a record high in terms of shipment volume in 2017.
- We will make efforts to develop larger engines, improve clean engine exhaust system and efficiency, address new emission regulations in Europe from 2019 (Stage V), improve selection of small sized engines, and expand production capacity answering more demands.

4. Priority Measures

For Earth, For Life
Kubota

(1) Pursue new growth opportunities by expansion in business area

➤ Turf and utility vehicle (UV) business

Further growth of turf and UV business

- ✓ Established an UV exclusive plant in 2017
 - Built production foundation, which supports expanding customer base of turf and UV, along with increasing capacity of existing plant
- ✓ Expanding sales of mower
 - Strengthen sales capability for consumers and business operators
- ✓ Full-scale entry into the market with gasoline engine-equipped and high-speed UVs; raise brand awareness quickly
 - Promising market with large volume and high-growth rate
 - Utilize our established brand and dealer network fully



Gasoline engine-equipped and
high-speed UV (Full-sized)
RTV-XG850

KUBOTA Corporation (Financial results for the year ended December 31, 2017) 14

- We will also embark on the task of making further strides with respect to our turf and UV business.
- We increased production capacities of production site in the United States by establishing new plant, which is exclusive for UV. We will expand customer base of mowers by expanding product lineup, and UVs by entering the high-speed UV market, through leveraging the production site.
- High-speed UV market is the promising market, which has large market volume and high-growth rate.
- We will raise brand awareness through fully utilizing our established brand and dealer network, although we are a follower company in terms of this market.

4. Priority Measures

For Earth, For Life
Kubota

(2) Improve profitability and enhance business structures

Prevail against competition intensifying year after year and ensure sustainable growth

- Free ourselves from the conventional way of doing business, try to improve profitability, and enhance business structures

- The Company will work scrupulously on increase profitability and enhance its business structure through freeing ourselves from the conventional way of doing business with the aim of ensuring that the Company prevails against competition intensifying year after year, and achieves sustainable growth.

4. Priority Measures

For Earth, For Life
Kubota

(2) Improve profitability and enhance business structures

➤ Overseas farming machinery business

Give the highest priority on cost-cutting

- ✓ Continue activities for drastic cost-cutting in the domestic plants, which are our core plants.
- ✓ Leverage the plants in the United States, China, and Thailand, which increased production capacities in 2017, fully.
 - Enhance cost competitiveness

Improve profitability of Kverneland AS (KV)

- ✓ KV played important roles to develop large-scale tractors and strengthen our competitiveness. Meanwhile, the level of its profitability is not enough due to stagnating agricultural market.
- ✓ Improve KV's profitability in response to the recovery of implement business since 2017.
- ✓ Forge ahead with efforts to create further synergy with Great Plains Manufacturing, Inc. in the United States.

KUBOTA Corporation (Financial results for the year ended December 31, 2017) 16

- We will give the highest priority on cost-cutting in the overseas farming machinery business.
- We will continue activities for drastic cost-cutting in the domestic plants, which are our core plants.
- We will enhance cost competitiveness by fully leveraging plants in the United States, Thailand, and China, which increased production capacities in 2017, as well.
- In addition, we will make strong efforts in improving profitability of KV, which we acquired in 2012.
- KV played important roles to develop large-scale tractors and strengthen our competitiveness. Meanwhile, the level of its profitability has not been enough for us due to stagnating agricultural market.
- We will forge ahead with efforts to improve KV's profitability and create further synergy with GPM in response to recovered sales from implement business in 2017.

4. Priority Measures

For Earth, For Life
Kubota

(2) Improve profitability and enhance business structures

➤ Domestic farming machinery business

Enhance business structures to prevail against intensifying competition

- ✓ Reduce fixed costs by elimination and consolidation of sales companies
 - ✓ Increase productivity in terms of sales and distribution operations
- ⇒ Make more efforts to manage operations with a focus on profitability

Increase the level of our products and services

- ✓ Enhance the level of KSAS (Kubota Smart Agri. System), which is the system created by integrating agricultural machinery and ICT
 - ✓ Expand selection of compatible products with KSAS, such as drones etc.
 - ✓ Started pilot sales of agri-robot tractors from 2017
 - Accelerate development of automatic driving technologies for rice transplanters and combine harvesters, too
 - ✓ Support large farms, who aim at reducing production costs
 - Expand selection of low priced farming machinery
 - ✓ Create new businesses stemming from various needs pertaining to agriculture, farms, and agricultural products
- ⇒ Increase market shares by offering much better selection of products than competitors, and high-quality and carefully crafted solution and services

KUBOTA Corporation (Financial results for the year ended December 31, 2017) 17

- In terms of domestic farming machinery business, whose business condition remains severe, we have been making efforts to reduce fixed costs by elimination and consolidation of sales companies.
- We will make more efforts to manage operations with a focus on profitability in 2018, such as an increase in productivity in terms of sales and distribution operations.
- From the aspects of products and services, we will enhance the level of KSAS (Kubota Smart Agri. System), which is the system created by integrating agricultural machinery and ICT, and expand selection of compatible products with KSAS, such as drones.
- We started pilot sales of agri-robot tractors, which enabled to operate automatically under the supervision of people, from 2017. We will accelerate development of automatic driving technologies for rice transplanters and combine harvesters as well.
- We will expand selection of low priced farming machinery translated from those sold in overseas to fit Japanese agriculture for the farmers who aim to reduce the production costs.
- We will make more efforts to create new businesses stemming from various needs pertaining to agriculture, farms, and agricultural produce, such as Kubota Farm.
- We will make efforts to increase market shares by offering better selection of products than competitors, and high-quality and carefully crafted solution and services.

4. Priority Measures

For Earth, For Life
Kubota

(2) Improve profitability and enhance business structures

➤ Water & Environment business

Continue structural improvement and reform

- ✓ Achieved an increase in profit despite lower revenues in 2017
- ✓ Enhance competitiveness by innovative pricing and strengthening cooperation between related products

Make further efforts in overseas business

- ✓ Grew environmental business, such as waste water treatment plant (Johkasou) and membrane solutions, in China and ASEAN regions
- ✓ Accelerate growth by integrated operations among group companies

Create new values as “Water and environmental provider, Kubota”

- ✓ Enhance the level of KSIS (Kubota Smart Infrastructure System), which provides comprehensive solutions in the field of water and environment by making use of IoT technologies
 - Address customer needs with respect to saving energy and reducing labors

KUBOTA Corporation (Financial results for the year ended December 31, 2017) 18

- In Water & Environment business, we have been attaining positive results due to strong efforts for structural improvement and reforms which have been implemented thus far, and achieved an increase in profits in 2017, despite lower revenues.
- In addition to these previous activities, we will enhance competitiveness by innovative pricing and strengthen cooperation between related products.
- We have been getting on the right track to grow environmental business, such as waste water treatment plant (Johkasou) and membrane solutions, in China and ASEAN regions.
- We will accelerate growth by integrated operations among group companies.
- We will enhance the level of KSIS (Kubota Smart Infrastructure System), which provides comprehensive solutions in the field of water and environment by making use of IoT technologies.
- We will create new values as a water and environmental provider by addressing customer needs with respect to saving energy and reducing labors through utilizing KSIS.

4. Priority Measures

For Earth, For Life
Kubota

(2) Improve profitability and enhance business structure

➤ Improve business efficiency

Reduce inventories drastically

- ✓ Achieved a certain level of inventory control during 2017, when sales continued to increase
 - Plan to reduce inventories further in 2018
- ✓ Promote addresses from the viewpoint of global Supply Chain Management
 - Achieve targets set by each business site

Strengthen addresses to improve productivity

- ✓ Deploy Kubota Production System (KPS) to sales department and administrative division, too

- Streamline processes based on the concept of KPS

⇒ Improve productivity across the Kubota Group drastically

Eliminate low-profitability businesses

- ✓ Exited the vending machine business in 2017
 - Reallocate business resources to promote growth of other businesses
- ✓ Promote to improve business structure of low profitability models and regions drastically also during this period

KUBOTA Corporation (Financial results for the year ended December 31, 2017) 19

- We have been making efforts to reduce inventories drastically as one of the activities for improving operational efficiency.
- We made certain level of controlling inventories during 2017, although it's difficult to reduce inventories during the period when our sales continued to increase.
- We will implement full-scale measures to reduce inventories.
- We will promote addresses from the viewpoint of global Supply Chain Management with the aim of achieving targets set by each business site along with understanding root causes.
- We will strengthen addresses to improve productivity.
- We will streamline all of our processes based on the concept of Kubota Production System (KPS) not only to manufacturing department, but also to sales department and administrative division with the aim of increasing the productivity across our group drastically.
- I told you that we will discontinue businesses without prospects for increasing profitability or business expansion within 1 or 2 years last year.
- We exited the vending machinery business in 2017.
- That business had a long-term history, but we came to the conclusion that the move was unavoidable given the Company's policy to utilize business resources efficiently with the aim of mid to long-term growth.
- We will reallocate business resources to promote growth of other businesses.
- We completed exit of chronic deficit businesses, but there are some products with deficit on a product basis or a regional basis.
- We will promote to improve low-profitability models and regions drastically during this period, eyeing the possibility of suspension or exit of business.

4. Priority Measures

For Earth, For Life
Kubota

(3) Enhance technology development and improve efficiency

It is essential to enhance capability of technology development in order to build "Global Measure Brand", which satisfies various customer needs

- Enhance capability of technology development and streamline the development process
 - Enhance the level of global R&D structures
 - ✓ Start establishing R&D center in Europe following those in North America and Thailand
 - ✓ Enhance technology level of R&D workforces as a foundation of growth
 - Expand recruitment and development programs
 - Realize shorter development period of new products
 - Enhance R&D capability satisfying changing customer needs
 - ✓ Develop advanced technology in strategic fields
 - Enhance and improve technologies for automatic driving
 - Enhance energy-saving technology related to water & environment business

KUBOTA Corporation (Financial results for the year ended December 31, 2017)

- It is essential to enhance capability of technology development in order to build Global Measure Brand, which satisfies various customer needs. The level of technology development determine the success and failure of GMB.
- We will enhance the global R&D structures by starting establishing R&D center in Europe following those in North America and Thailand.
- We will promote expansion of recruitment and development programs to enhance technology level of R&D workforces as a foundation of growth. In addition, we will make efforts to realize shorter development period of new products.
- We will enhance and improve technologies for automatic driving, and enhance energy-saving technology related to water & environment business, which are our strategic business field, to satisfy changing customer needs.

4. Priority Measures

For Earth, For Life
Kubota

(4) Globalize corporate management as a whole

Realize globalization of management structure as a whole, which is commensurate with “Global Major Brand”

➤ Enhance respective management functions

Deploy Kubota Production System (KPS) widely

- ✓ Accelerate activities for spreading KPS by changing organization of core department for KPS
 - Add some functions to the department to supervise not only production function, but also production control and logistics functions globally
- ✓ Realize shorter lead-time and establish structures which produce only products generating sales
 - Overcome handicaps caused by high-mix low-volume production
 - Build highly efficient production structure, which is world-class
- ✓ Cultivate trainers with skills and philosophies of KPS
 - Provide knowhow about KPS for our suppliers and others

KUBOTA Corporation (Financial results for the year ended December 31, 2017) 21

- We will make more efforts to enhance respective management functions in order to realize globalization of management structure as a whole, which is commensurate with “Global Major Brand”.
- We decided to change the organization of core department for activities regarding Kubota Production System, and add some functions to oversee not only production, but also production control and logistics functions globally with the aim of accelerating the speed of this activities further.
- We will realize shorter lead times and establish structures, which produce only products generating sales, by overcoming handicaps caused by high-mix low-volume production. We will build highly efficient production structure, which is world-class.
- We will cultivate trainers with skills and philosophies of KPS to provide knowhow about KPS with our suppliers and others.

4. Priority Measures

For Earth, For Life
Kubota

(4) Globalize corporate management as a whole

Realize globalization of management structure as a whole, which is commensurate with “Global Major Brand”

➤ Enhance respective management functions

Promote use of information technologies

- ✓ Notion of standardizing, integrating, and centralizing its IT infrastructure has been instilled across the Kubota Group due to efforts over the last few years
 - ✓ Enhanced level of some core systems, such as systems for integrated bill of materials and global supply chain management
 - Underpin the regional strategies and promote operational reforms by utilizing cutting-edge IT infrastructure
- ⇒ Accelerate efforts to build IT infrastructure outperforming those of our competitors

- Notion of standardizing, integrating, and centralizing its IT infrastructure has been instilled across the Kubota Group due to efforts over the last few years. As a result, we saw the light at the end of enhancement of some core systems, such as systems for integrated bill of materials and global supply chain management.
- It is essential to utilize cutting-edge IT infrastructure with the purpose of underpinning the regional strategies and promoting operational reforms.
- We will accelerate efforts to build IT infrastructure outperforming those of our competitors.

5. Conclusion

For Earth, For Life
Kubota

- Severe business conditions, such as long-term stagnation of agricultural markets, arising geopolitical risks, and frequent occurrence of unusual weathers.
- Continuously changing social needs at an increasingly rapid pace and substantial magnitude



We have been aiming at resolving social challenges since our foundation.
Considering the conditions above as huge business opportunities for us, we will pursue our long term growth and enhance its corporate value through addressing changes appropriately and rapidly.

KUBOTA Corporation (Financial results for the year ended December 31, 2017) 23

- The economies of Japan and the United States are going through a long-term expansionary phase, while business conditions in Europe and China are also holding firm.
- On the other hand, our business condition is not perfectly solid due to long-term stagnation of agricultural market, geopolitical risks, and frequent instances of unseasonable weather conditions.
- Social needs are changing continuously at an increasingly rapid pace and substantial magnitude.

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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