

Basic Management Policy and Priority Measures



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1. Review of Last Fiscal Year

- 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%

1. Review of Last Fiscal Year

- 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

2. Forecasts for the Year Ending Dec. 2018

➤ 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.

2. Forecasts for the Year Ending Dec. 2018

- 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.

3. Basic Management Policy

◇ 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

3. Basic Management Policy

(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

3. Basic Management Policy

(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

4. Priority Measures

(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

4. Priority Measures

(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

4. Priority Measures

(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

4. Priority Measures

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

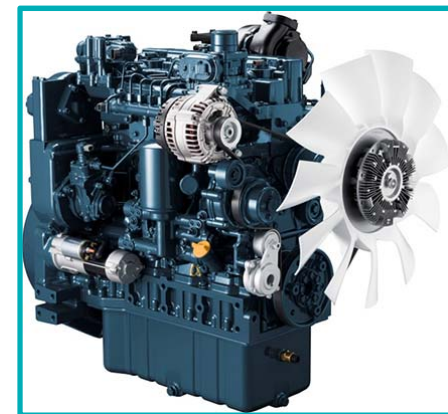
➤ Engine business

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)



4. Priority Measures

(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

4. Priority Measures

(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

4. Priority Measures

(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.

4. Priority Measures

(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

(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

4. Priority Measures

(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

4. Priority Measures

(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

4. Priority Measures

(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

4. Priority Measures

(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

5. Conclusion

- 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.

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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