

Basic Management Policy and Priority Measures



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1. Review of Last Fiscal Year

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- Japan : Sales of farm equipment, construction machinery (hereinafter, CE) and engines increased. Sales of Water & Environment decreased slightly.
- Overseas : North America : Sales of CE and engines performed well. Sales of tractors increased as well.
- Europe : Sales of CE and engines increased significantly.
- Asia outside Japan : In China, sales of farm equipment decreased significantly, while sales of CE and engines increased. Sales of tractors increased in Thailand and India.
- Water & Environment : Sales of industrial castings and ductile iron pipes increased.

(Unit: billions of yen)	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017	Changes
Japan	577.3	563.8	+ 2.4%
North America	612.6	546.0	+ 12.2%
Asia outside Japan	334.9	342.9	▲ 2.3%
Europe	256.3	226.7	+ 13.1%
Other	69.1	71.7	▲ 3.5%
Total	1,850.3	1,751.0	+ 5.7%

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- In 2018, we detected improper conduct in the inspection of rolling mill rolls used in some of the production equipment for and cylinder liners used in compressors. We sincerely apologize for causing concern and inconvenience to all our customers and concerned parties again. We have already implemented measures to prevent recurrence, and KUBOTA Group as a whole will make every effort to prevent recurrence and retrieve confidence.
- Revenue steadily increased mainly in overseas Farm & Industrial Machinery.
- In domestic market, revenue in Water & Environment decreased slightly mainly due to sluggish demand for ductile iron pipes. However, revenue from farm equipment, construction machinery (hereinafter, CE), and engines increased in Farm & Industrial Machinery.
- In overseas market, revenue in Farm & Industrial Machinery increased significantly. In addition, revenue from industrial castings for petrochemical plants and ductile iron pipes increased in Water & Environment.
- Amid continuous global expansion of demand for construction, sales of CE significantly increased in all of our major regions such as North America, Europe, and China, because the development of scope of new product, in which we have been expanding, has borne fruit and our market share of existing products increased.
- Furthermore, we also have promoted to strengthen business structure through collaboration with Great Plains Manufacturing, Inc. (hereinafter, GPM), which we acquired, and the business has grown into a global presence.
- With respect to engines business, we have steadily responded to the exhaust emission regulations of each country, and have expanded the business by leveraging our strengths in providing an extensive products lineup that meets the various requests from our customers.
- With respect to overseas farm equipment business, sales in Asia outside Japan decreased from the prior year due to a harsh business environment in China, which is our important market, resulting from a significant shrink in demand.
- On the other hand, sales in North America significantly increased mainly due to expanded demand along with the economic recovery and the positive effect from newly introduced model of utility vehicles.
- In Asia outside Japan excluding China, sales of tractors in Thailand increased mainly due to a rise in prices mainly of rice and cassava and generally favorable weather during the rainy seasons. In addition, sales of multi-purpose tractors in India also expanded steadily.

1. Review of Last Fiscal Year

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- Revenue hits the high record.
- Operating profit decreased mainly due to a steep rise in material prices and rising interest rates.
- Profit attributable to owners of the parent increased mainly due to the federal corporate tax rate cut in the United States.

(Unit: billions of yen)	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017	Changes		Variance from revised forecast (Nov. 2018)	
			Amount	%	Amount	%
Revenue	1,850.3	1,751.0	+99.3	+5.7	+20.3	+1.1
Operating profit	10.2% 189.3	11.4% 200.0	-10.6	-5.3	-14.7	-7.2
Profit attributable to owners of the parent	7.5% 138.6	7.7% 134.2	+4.4	+3.3	-6.4	-4.4

KUBOTA Corporation (Financial results for the year ended December 31, 2018) 4

- Revenue hits the record high.
- In terms of profit, amidst severe sales competition, we faced more difficulties than anticipated mainly due to soaring material prices, a rise in interest rate in North America, and the negative impacts of natural disasters which frequently occurred in Japan.
- In addition, profit was pushed down by upfront investment aimed at medium- to long-term growth, such as R&D expenses, capital expenditures, and an increase in the number of personnel in overseas subsidiaries.
- As a result, operating profit decreased from the prior year.
- Profit attributable to owners of the parent increased because income tax expenses significantly decreased mainly due to the federal corporate tax rate cut in the U.S.
- I explained our basic policies for the three years (2017 - 2019) in February 2017, and Expansion in Business Area, which is one of the core policy, has progressed well.
- We have reached range of achieving the target of 2 trillion yen of revenue in 2019. We can achieve this target if exchange rates remain at the same level as 2018.
- However, the policy of Maximize Income has been extremely unwilling results because we were unable to secure sufficient returns in response to the deterioration of business environment.
- Taking this seriously, we will thoroughly promote to implement Priority Onsite and Customer-First Principle so that we can secure sufficient returns by responding appropriately and timely to changes in business environment.

2. Prospects for Current Fiscal Year

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➤ Domestic Market

- Sales to large farmers are expected to increase due to recovery of rice prices and support by agricultural administration, while sales to small- and medium-sized farmers are expected to decrease gradually due to the aging of farmers.
- In the CE business, demand is expected to remain flat. However, sales are expected to increase due to sales measures designed for each market or each model and introduction of redesigned models.

➤ Overseas market

North America : Sales of CE are expected to increase significantly because new CTL will be introduced. Sales of tractors and engines are expected to increase as well.

Europe : Revenue is expected to decrease due to the yen appreciation, while sales are expected to increase moderately.

Asia : High growth is expected in Thailand and neighboring countries, and in India. In China, sales of farm equipment are expected to decrease, while sales of engines and CE are expected to increase.

KUBOTA Corporation (Financial results for the year ended December 31, 2018) 5

- In domestic market, sales of both farm equipment and CE are expected to increase moderately.
- Sales of farm equipment to large farmers are expected to increase mainly due to recovery of rice prices and support by agricultural administration, while sales of farm equipment to small- and medium-sized farmers are expected to decrease gradually due to the aging of farmers.
- Demand for CE is also expected to remain flat. However, sales are expected to increase due to sales measures designed for each market or each model and introduction of redesigned models.
- In overseas market, we expect to increase sales in major markets excluding China and Europe.
- In North America, we particularly expect an increase in sales of CE, where we will introduce new CTL. In addition, sales of tractors and engines are expected to increase as well.
- In Europe, modest growth of business is expected to continue. However, revenue translated into yen is expected to decrease due to the yen appreciation.
- In Asia outside Japan, high growth is expected in Thailand and neighboring countries. In addition, sales of multi-purpose tractors are expected to increase in India as well.
- In China, revenue as a whole is expected to decrease due to continuously sluggish demand for farm equipment while sales of engines and CE are expected to expand.

2. Prospects for Current Fiscal Year

For Earth, For Life
Kubota

- Revenue is expected 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 are expected to increase as well.

(Unit: billions of yen)	Year ending Dec. 31, 2019 (Forecast)	Year ended Dec. 31, 2018 (Actual)	Changes	
			Amount	%
Revenue	1,970.0	1,850.3	+119.7	+6.5
Operating profit	10.2% 200.0	10.2% 189.3	+10.7	+5.6
Profit attributable to owners of the parent	7.4% 145.0	7.5% 138.6	+6.4	+4.6

KUBOTA Corporation (Financial results for the year ended December 31, 2018) 6

- Revenue, operating profit, and profit attributable owners of the parent are expected to increase.
- World economy is becoming increasingly uncertain, and we expect business environment to be challenging. However, we promote to respond appropriately and timely in anticipation of changes, in addition to expanding and enhancing business structure continuously.

3. Basic Management Policy

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◇ Basic management policy

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

◇ Priority measures

- (1) Establish a management base suitable for GMB
- (2) Steady development of high-growth business and enhancement of businesses structure in Farm & Industrial Machinery business
- (3) Redesign organization and reinforce business structure in Water & Environment business
- (4) Improve profitability and strengthen the business structure thoroughly

- We will maintain our basic management policy and work to instill and deepen the policy with a sense of speed through promoting the priority measures thoroughly.

3. Basic Management Policy

For Earth, For Life
Kubota

(1) Accelerate and enhance the measures to build Global Major Brand (GMB)

Make full-speed efforts ahead to GMB defined as the brand that can make the greatest social contribution as a result of being trusted by the largest number of customers

- Revive consolidated division system
 - ✓ Accelerating speed of decision-making
 - ✓ Clarify authority and responsibility, and promote optimization of the entire division
- Implement action plans to achieve long-term goals
 - ✓ Implement necessary correction of action plan and optimize priorities and resource allocation
- Earn trust through contributing to SDGs
 - ✓ Set SDGs as the milestone of various activities and accelerate integration of SDGs with our business and expansion of them
 - ✓ Transmit our SDGs initiatives powerfully

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- Achievement of 2 trillion yen of revenue is only a stepping stone to realize long-term goals, Global Major Brand (hereinafter, GMB), 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. In order to make the 130th anniversary of our founding in 2020 more meaningful, we will make full-speed efforts ahead realizing the long-term goals.
- In order to accelerate decision-making and actions by business unit, we will revive consolidated division system from this year. We will make efforts to foster challenging mind that is not confined to individual business from the perspective of optimizing of the entire division, in addition to clarifying authority and responsibility.
- We began implementing action plans to achieve long-term goals from the prior year. However, there is a gap compared to the plan in profitability, while we have made steady progress of expansion in revenue.
- In order to rectify this situation, we will identify the nature of changes, implement necessary correction of action plan immediately, and optimize priorities and resource allocation.
- From the prior year, we began setting SDGs as the milestone of our various activities to build GMB.
- We believe that it is extremely important for becoming GMB, which is appreciated by winning the trust of society and customers, to contribute to the resolution of issues, such as global food shortages, water and environmental pollution, and improving the urban environment, through providing solutions, and it is also indispensable for the sustainable development of our business.
- In this year, we will further accelerate integration of SDGs with our business and expansion of them in order to realize the policies.
- We have transmitted our approach and initiatives mainly through integrated reports (Kubota Report), websites, and advertisements. In addition, we will also transmit them more powerfully from now on.

3. Basic Management Policy

For Earth, For Life
Kubota

(2) Prioritize profitability thoroughly

Cycle of growth toward achievement of long-term goals

Generate sufficient returns commensurate with business expansion, and

- Provide superior products, technologies, and services
- Contribute to social at a higher level
- Win the trust of customers and expand business further

➤ To promote upfront investments with a focus on core businesses and core markets in the future

- ✓ Create capital resources from existing businesses
 - Strengthen the non-price competitiveness
 - Curb all business costs drastically

- In order to achieve long-term goals, it is essential to generate sufficient returns commensurate with business expansion, generate superior products, technologies, and services by using the returns, and contribute to society at a higher level. Through those efforts, we need to fulfill the cycle of growth that leads winning the trust of customers and expansion of business further.
- It is inevitable that upfront investment, which focused on core businesses and core markets in the future, leads to lower returns. However, in order to create capital resources for upfront investment from existing businesses, we will make efforts to strengthen our earnings base by strengthening non-price competitiveness and drastically curbing all business costs.

4. Priority Measures

For Earth, For Life
Kubota

(1) Establish a management base suitable for GMB

- R&D structure
 - ✓ Establish a base to serve as the core of the global R&D structure
 - Acquired approximately 330 thousand square meters of land in Sakai City and started establishment of the base
 - Integrate and streamline dispersed bases
 - Strengthen capabilities of development related to growth businesses and advanced technologies
 - ✓ Develop and expand global R&D bases
 - Launch full-scale operation of new R&D base in Europe
 - Accelerate development of upland farming tractors through joint development between Japan and Europe
 - Establish and expand global R&D bases
 - Strengthen market suitability through local-based development
- 
 - Strengthen and expand R&D resources
 - Build structure which is able to create the highest output

KUBOTA Corporation (Financial results for the year ended December 31, 2018) 10

- Establishing a management base to achieve long-term goals is an urgent task, and we will work to promptly expand our R&D structure, production and procurement structure, and IT system.
- With respect to our R&D structure, we will continue to strengthen and expand R&D resources and to build structure which is able to create the highest output with limited resources. We aim to shorten the development period and improve quality.
- In Japan, we acquired approximately 330 thousand square meters of land in Sakai City and started establishment of new R&D base as the core of global R&D bases.
- We will promote to integrate and streamline dispersed bases, and strengthen capabilities to develop growth businesses and advanced technologies.
- Overseas, we will build local-based R&D structure by launching full-scale operation of new R&D base in Europe, which aims at accelerating development of upland farming tractors through joint development between Japan and Europe, and promoting development and expansion of each global R&D base continuously.

4. Priority Measures

For Earth, For Life
Kubota

(1) Establish a management base suitable for GMB

➤ Production and procurement structure

- ✓ Establish the most efficient production system for each business
 - Consider optimal domestic/overseas and in-house/outsourced production category and systematically implement it
 - Expand production volume and reform logistics overseas
- ✓ Respond to tight supply-demand conditions for CE and engines
 - Normalize product supply promptly
- ✓ Improve the level of procurement and stabilize supply
 - Improve QCD (Quality, cost, and delivery) in cooperation with suppliers
- ✓ Respond to frequent natural disasters and huge earthquakes
 - Review business continuity plans and implement measures thoroughly



Build a global-class production and procurement system

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- With respect to production and procurement structure, we will promote initiatives toward establishment of the most efficient production system for each business.
- Especially in overseas markets, where business is expected to expand over the medium- to long-term, we will promote restructuring mainly by expanding production volume and reforming logistics.
- In response to tight supply-demand conditions for CE and engines, we will make efforts to improve the level of procurement and stabilize supply, which are urgent issues, by working together with our suppliers to improve quality, reduce costs, and shorten lead times, in addition to promotion of increasing production capacity at each of our plants.
- In the prior year, we had difficulty in supplying products because a sharp increase in demand coincided with the problem of delays in production caused by typhoons. We will make efforts to normalize product supply promptly.
- In response to future risks, such as natural disasters that occur frequently and major earthquakes that are expected to occur, we will make efforts to thoroughly review our business continuity plans and implement measures which target not only for plants, but also for employees, their families, and suppliers, and we aim to complete countermeasures promptly.
- Natural disasters caused a major hindrance to production activities in the prior year. However, we will build a system that will minimize the impact of natural disasters and enable us to resume operations as soon as possible.

4. Priority Measures

For Earth, For Life
Kubota

(1) Establish a management base suitable for GMB

➤ IT system

- ✓ Establish an ICT promotion structure
 - Promote development of systems steadily to advance and upgrade mission-critical system
 - Strengthen governance of IT-related organization
- ✓ Promote digital transformation
 - Upgrade utilization of data



- Strengthen business structure and competitiveness, and improve customer satisfaction
- Improve precision and increase speed of decision-making

- With respect to IT system, we will establish an ICT promotion structure and promote development of systems steadily to advance and upgrade mission-critical system that contributes to strengthening business structure and competitiveness and improving customer satisfaction. In addition, we will work to strengthen governance of IT-related organization.
- Furthermore, we aim to upgrade the level of data utilization and improve precision and speed of decision-making through the promotion of digital transformation.

4. Priority Measures

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(2) Steady development of high-growth business and enhancement of businesses structure in Farm & Industrial Machinery business

➤ Farm equipment business (overseas)

- ✓ Develop new products for large-sized tractors and enhance the competitiveness and profitability of existing products
- ✓ Create growth resources
 - Expand sales of small- and medium-sized tractors and maximize profits
 - Expand lineup of turf-related equipment and utility vehicles
- ✓ Full-fledged start of operations in India
 - Establish a joint-venture manufacturing company of tractors with Escorts Limited
- ✓ Expand lineup of tractors for emerging countries
- ✓ Rebuild business in China and strengthen business structure
 - Secure profits by eliminating waste and reducing costs thoroughly
 - Develop new products and services that meet rapidly changing market needs amid changing market structures

→ Earn the trust of customers

KUBOTA Corporation (Financial results for the year ended December 31, 2018) 13

- In farm equipment business, we will make efforts to strengthen business infrastructure by developing new products of large-sized tractors for upland farming and enhancing the competitiveness and profitability of existing products.
- In order to create growth resources, we will focus on expanding sales and maximizing profits of small- and medium-sized tractors, which have high profitability. In addition, we will make efforts to expand products lineup of turf-related equipment and utility vehicles, which are high-growth products.
- We will also work to begin full-fledged start of operations in India, where we have decided to manufacture products locally by establishing a joint venture with Indian tractor manufacturer, Escorts Limited. In addition, we will work to expand products lineup of tractors for emerging countries as well.
- With respect to combine harvesters and rice transplanters, we will concentrate on rebuilding business in China for the time being. Even if demand does not recover, we will secure returns by eliminating needless works and reducing costs thoroughly.
- At the same time, we will raise the trust of customers by developing new products that meet rapidly changing market needs and KUBOTA-style services amid changing market structures, such as an increase in demand for equipment with higher horse power and higher processing capacity and in group farming such as cooperatives. As a result, we aim to strengthen business infrastructure for medium- to long-term growth.

4. Priority Measures

For Earth, For Life
Kubota

(2) Steady development of high-growth business and enhancement of businesses structure in Farm & Industrial Machinery business

➤ Farm equipment business (domestic)

- ✓ Improve profitability by increasing market share and reinforcing the business structure thoroughly
 - ✓ Accelerate evolution to the business which provides comprehensive value to support Japanese agriculture industry
 - Build a leading position in the field of ICT farming
 - Expand the Farm Pilot Series (farm equipment with GPS)
 - Upgrade level of KSAS* (ICT-based farm supporting system)
 - Develop industry-leading advanced technologies
 - Promote initiatives with an eye to overseas operations
- Develop global precision farming technologies, build a next-generation integrated control system between equipment and implements

*Kubota Smart Agri. System



Automated farming equipment under development

- Agri-robot rice transplanter
- Agri-robot tractor
- Agri-robot combine harvester

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- In Japan, we aim to significantly improve profitability by increasing market share and reinforcing the business structure thoroughly.
- Amid an advance of labor shortage in agricultural sector, we will not only sell farm equipment, but also cover peripheral equipment, maintenance and services, and solutions, and will accelerate evolution to the business which provides comprehensive value to support Japanese agriculture industry.
- As a part of these initiatives, in order to establish a leading position in the field of ICT farming, we will promote to develop industry-leading advanced technologies, upgrade level of farm supporting system (Kubota Smart Agri. System) by using ICT, develop global precision farming technology, and build a next-generation integrated control system between equipment and implement.
- The demonstration project for social implementation of smart agriculture will be begun by government from 2019, and it is expected that expectations and needs for automatic driving farm equipment will increase.
- We have started pilot sales of agri-robot tractors in 2017 earlier than other companies, and we also have started full-scale sales of agri-robot combine harvesters, which are automatic driving, in 2018.
- In addition, we also have begun sales of compact tractors with a straight-forward assist function, which are highly appreciated for rice transplanters. In this year, we plan to sell 100 horsepower agri-robot tractors and agri-robot combine harvesters.
- We will further strengthen initiatives that anticipate these market needs from now on.

4. Priority Measures

For Earth, For Life
Kubota

(2) Steady development of high-growth business and enhancement of businesses structure in Farm & Industrial Machinery business

➤ CE business

Continue to invest resources in areas with high growth potential aggressively

- ✓ Expand product lineup meeting market needs
 - Introduce new model of compact track loader (CTL)
 - Introduce redesigned models
 - Accelerate R&D
- ✓ Strengthen dealer network and cultivate rental companies
- ✓ Strengthen attachment business (collaborate with Great Plains Manufacturing, Inc.)



New CTL model in North America
SVL65-2

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- In CE business, we have made significant strides in major markets around the world in the prior year. We will also continue to invest resources aggressively in CE business with high growth potential in the future.
- We will introduce new CTL model in the North American market in this year.
- We will continue to promote to expand products lineup and steadily introduce redesigned models which meet market needs. In addition, we will accelerate R&D for that.
- We will promote to strengthen the dealer network that handles our products, and cultivate rental companies in conjunction with expanding products lineup, and we aim to maximize the effects of expanding products lineup.
- We will increase synergy with GPM, which we acquired, and further strengthen our attachment businesses.

4. Priority Measures

For Earth, For Life
Kubota

(2) Steady development of high-growth business and enhancement of businesses structure in Farm & Industrial Machinery business

➤ Engine business

Develop large-sized engines and accelerate measures to develop cleaner and more eco-friendly engines

- ✓ Build a new R&D center and a new exhaust gas test center
 - Strengthen development capabilities for electronic control systems and exhaust-gas treatment devices
 - Enhance capacity for exhaust gas testing
- ✓ Promote preparations for the introduction of large-sized engines
 - Develop large-sized diesel engines for Chinese market

Respond to tight supply-demand conditions

- ✓ Strengthen production structure and increase production capacity at domestic production sites
 - Two shifts assembly line and the fastest tact time ever
- ✓ Build an industry-leading production structure
 - Improve production equipment and upgrade production lines

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- In engine business, we built a new R&D center in the prior year and will strengthen our development capabilities for electronic control systems and exhaust-gas treatment devices, which are becoming increasingly sophisticated.
- We have doubled the capacity for certification testing and sampling inspection for engines produced by building a new exhaust gas test center, and have significantly improved our ability of designing in response to the new regulations required by large-sized engines and Stage V in Europe.
- We steady promote preparations for the introduction of large-sized engines with the timing of exhaust emission regulations in each country, including the development of large-sized diesel engines for Chinese market.
- We will further accelerate to develop large-sized engines and develop cleaner and more eco-friendly engines.
- In response to tight supply-demand conditions, we have strengthened production structure and increased production capacity at domestic plants in the prior year and we will continue efforts to build an industry-leading production structure which can respond increasing demand over the medium- to long-term.

4. Priority Measures

For Earth, For Life
Kubota

(3) Redesign organization and reinforce business structure in Water & Environment business

Aim to become Japan's Top Brand first toward establishment of GMB

- Redesigned organization and established *Pipe Systems and Infrastructure Division*, and *Environmental Solutions Division*
- Focus on securing operating results by thoroughly strengthening the business structure
- Build strategies to define businesses which have potential to grow and the goals of them in domestic and overseas markets

- In Water & Environment Business, we redesigned organizational and established two divisions: Pipe Systems and Infrastructure Division, and Environmental Solutions Division, and will focus on securing operating results by thoroughly strengthening business structure.
- We will build strategies to define businesses which have potential to grow and the goals of them in domestic and overseas markets for the future, and we aim to Japan's Top Brand at first as laying foundation toward establishment of GMB.

4. Priority Measures

For Earth, For Life
Kubota

(3) Redesign organization and reinforce business structure in Water & Environment business

➤ Pipe Systems and Infrastructure business

- ✓ Reform overall business in response to shrinking domestic demand
 - Innovate processes in manufacturing and logistic
 - Innovate sales operations and construction work
- ✓ Implement business structure reforms in response to market changes
 - Continue to promote themes that will secure operating results, such as batch orders including both design and building (DB method), pipe renewal work, and so on.
- ✓ Reinforce structure of industrial castings and ceramics business
 - Reform overseas production sites drastically

- In Pipe Systems and Infrastructure business, in order to respond to shrinking domestic demand mainly for ductile iron pipes, we will promptly complete to reform overall business, including innovation in manufacturing and logistic process and innovation of sales operations and construction work.
- We will continue to promote themes that will secure operating results by responding to needs for upgrading aging social infrastructures amid limited budgets and manpower, such as batch orders including both design and building (DB method) and pipe renewal work.
- With respect to industrial castings and ceramics business, of which overseas sales are expanding, we will promote drastic reform of overseas production sites.

4. Priority Measures

For Earth, For Life
Kubota

(3) Redesign organization and reinforce of business structure in Water & Environment business

➤ Environmental Solutions business

- ✓ Establish a top brand as a comprehensive environmental infrastructure company
 - Leverage our strengths to create projects in the field of water solutions, environmental conservation, and energy creation
- ✓ Promote large-scale projects steadily
 - Project of reducing the volume of radioactive contaminated waste in Fukushima prefecture
- ✓ Expand sales of submerged membranes and wastewater treatment plants (Johkasou) overseas
 - Build an efficient and effective management system
- ✓ Re-examine development themes in the Water & Environment R&D center
 - Improve development function to connect to business directly, and create eco-businesses

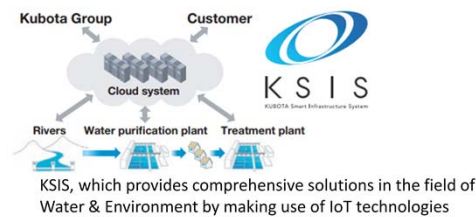
- In Environmental Solutions business, we will make efforts to create projects in the field of water solutions, environmental conservation, and energy creation by leveraging our strengths, aiming to establish a top brand as a comprehensive environmental infrastructure company.
- We will also steadily promote large-scale projects, such as a project of reducing the volume of radioactive contaminated waste in Futaba Town, Fukushima prefecture, which is expected to utilize technology and expertise cultivated in the waste disposal business of illegal dumping in Teshima, Kagawa prefecture, and will fulfill our social responsibilities.
- With respect to submerged membranes and wastewater treatment plants(Johkasou) business, which are expanding in overseas market, we will focus on building an efficient and effective management system to further expand sales.
- We will re-examine development themes in the Water & Environment R&D center and focus on improving development function to connect to business directly and creating eco-businesses.

4. Priority Measures

For Earth, For Life
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(3) Redesign organization and reinforce of business structure in Water & Environment business

- Common to Water & Environment business
 - ✓ Evolve KSIS (Kubota Smart Infrastructure System, which provides comprehensive solutions in the field of water and environment by making use of IoT technologies) further
 - Expand sales of plants and equipment by creating new customer value in response to needs such as energy conservation, labor saving, and improvement of convenience, and improve the efficiency of the maintenance business



Smart Water Construction System, which combines new construction technologies by simple bonding equipment and construction management technologies, which utilize IoT

KUBOTA Corporation (Financial results for the year ended December 31, 2018) 20

- As a theme for Water & Environment field as a whole, we will promote to further evolve KSIS (Kubota Smart Infrastructure System), which provides comprehensive solution services by making use of IoT technologies. In addition, we will make efforts to expand sales of plants and equipment and improve the efficiency of our maintenance business by creating new customer value in response to needs such as energy conservation, labor saving, and improvement of convenience.

4. Priority Measures

For Earth, For Life
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(4) Improve profitability and strengthen the business structure thoroughly

Fulfill our responsibilities to all stakeholders through sustainable growth of corporate value

- Restore profitability of domestic businesses
- Strengthen business structure by deploying KPS (Kubota Production System)

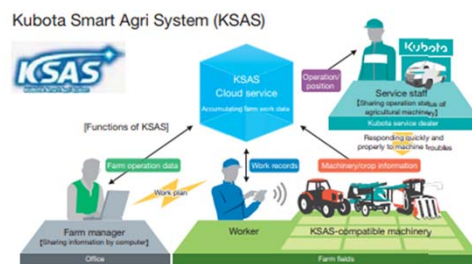
- In order to fulfill our responsibilities to all stakeholders through sustainable growth of corporate value, we will further implement our policy of focusing on profit expansion thoroughly.

4. Priority Measures

For Earth, For Life
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(4) Improve profitability and strengthen the business structure thoroughly

- Restore profitability of domestic businesses
 - ✓ Respond to changes in social structure due to population decline and aging of society
 - Develop and provide products and services that anticipate real needs
 - ✓ Curb all business costs drastically
 - ✓ Strengthen the non-price competitiveness



KSAS (Kubota Smart Agri. System) , which support farming management by making use of ICT technologies

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- In order to restore profitability of domestic business, we will appropriately respond to changes in the social structure due to population decline and aging of society, and will promote to develop and provide products and services that anticipate real needs. In addition, we will make efforts to drastically curb all business costs and strengthen the non-price competitiveness.
- To cope with a continuous shrink in demand, we will promote to optimize the allocation of human resources by shifting personnel between business divisions or between domestic and overseas businesses.

4. Priority Measures

For Earth, For Life
Kubota

(4) Improve profitability and strengthen the business structure thoroughly

- Reinforce business structure through deployment of KPS
 - ✓ Build a global-class highly efficient production system
 - Improve overall business processes from front-end process, which includes suppliers and parts logistics, to back-end process, which includes delivery to customers, from the viewpoint of total optimization
 - Build cutting-edge production lines, such as automated or unmanned lines, by utilizing IoT
 - Reform QCD (Quality, Cost, and Delivery)
 - ✓ Deploy KPS throughout the company and all divisions
 - Reduce unnecessary operations thoroughly and promote standardization and streamline operations
 - Maximize value adding operation
 - ✓ Reduce inventory
 - Promote organizational and structural reduction of inventories that are not affected by transient factors

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- In development of Kubota Production System (hereinafter, KPS), we will improve overall business process from front-end process, which includes suppliers and parts logistics, to back-end process, which includes delivery to customers, from the viewpoint of total optimization, and accelerate our initiatives to build a global-class highly efficient production system.
- In addition, we will promote to build cutting-edge production lines, such as automated or unmanned lines, by utilizing IoT, and make efforts to reform QCD (Quality, Cost, and Delivery).
- In deploying KPS throughout the company and all divisions including administrative division, we will make efforts to maximize value adding operation by thoroughly reducing unnecessary operations and by standardizing and streamlining the efficiency of operations through the projects.
- Unfortunately, we were unable to achieve sufficient results in reducing inventories, which we continuously make efforts, as a result of a sharp increase in production at the end of the prior year to offset delays in production mainly caused by typhoons.
- We will promote organizational and structural reductions of inventories that are not affected by transient factors.

5. Conclusion

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Kubota

- Destabilizing world economy
- It is anticipated that a new situation will have a major impact on our business, which is globalizing increasingly



Kubota aims to achieve long-term growth and increase corporate value by steadily promoting initiatives to establish GMB Kubota, identifying recent changes in the business environment, and responding to these changes swiftly and decisively.

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- While world economy continues to grow, it is becoming to destabilizing due to a number of challenges, such as U.S.-China trade frictions and the Brexit.
- Under these circumstances, the future of world economy is becoming increasingly uncertain, and it is anticipated that a new situation will have a major impact on the real economy and corporate activities.
- In this severe business environment, we aim to achieve long-term growth and further increase corporate value by steadily promoting medium- to long-term initiatives to establish GMB Kubota, identifying recent changes in the business environment, and responding to these changes swiftly and decisively.

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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