Basic management policy and priority issues

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【Agenda】

1. Introduction (Organizational Realignment)
2. Review of last fiscal year
3. Prospects for current fiscal year
4. Basic management policy
5. Priority issues
6. Conclusion
1. Introduction (Organizational Realignment)

Major Organizational Realignment

Outline of the realignment

1. Elimination of consolidated division system
   - Farm & Industrial Machinery consolidated division
   - Water & Environment System consolidated division
   - Social Infrastructure consolidated division

2. Divisional realignment from 14 to 7

3. Introduced business domain concept
   - (Farm & Industrial Machinery)(Water & Environment)

4. Realignment of indirect departments
   (2 headquarters + 13 departments → 6 headquarters)

Purpose: Globalizing the management system and expanding business
1. Introduction (Organizational Realignment)

- **Aims (related to business operations)**
  1. Quicker decision making
  2. Aiming for synergies among businesses and more-efficient usage of corporate resources
  3. Strengthening functions for business support and governance

- **Aims (related to management awareness)**
  - Adhering to self(in-house)-development
  - Gradualism
  - Supremacy of seeking market share
  - Excessive focus on short-range profit

Change

Break away from our over dependence on successful experience
2. Review of last fiscal year

- Japan
  - Markets for agricultural machinery and public works related products were at an equivalent level as the prior year.
  - Market for construction machinery expanded substantially.

- Overseas
  - Asia: Revenues in China increased. Revenues in Thailand stagnated because of the Thailand Floods.
  - North America and Europe: Major markets for the Company increased steadily.

<table>
<thead>
<tr>
<th>Revenues by regions</th>
<th>2012.3</th>
<th>2011.3</th>
<th>Change [%]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>498.7</td>
<td>477.9</td>
<td>4.3</td>
</tr>
<tr>
<td>Asia outside Japan</td>
<td>169.6</td>
<td>160.5</td>
<td>5.7</td>
</tr>
<tr>
<td>North America</td>
<td>219.9</td>
<td>189.3</td>
<td>16.2</td>
</tr>
<tr>
<td>Europe</td>
<td>88.7</td>
<td>75.8</td>
<td>17.1</td>
</tr>
<tr>
<td>Other</td>
<td>31.1</td>
<td>30.1</td>
<td>3.0</td>
</tr>
</tbody>
</table>
2. Review of last fiscal year

Returned to ¥1,000 billion revenues and ¥100 billion OP*

- Favorable effect from economic recovery in North America and Europe

⇒ However, we should aim at self-sustaining growth under any and all market conditions.

<table>
<thead>
<tr>
<th></th>
<th>2012.3.31</th>
<th>2011.3.31</th>
<th>Changes</th>
<th>Variance from plan</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amounts</td>
<td>Amounts</td>
<td>Amounts</td>
<td>%</td>
</tr>
<tr>
<td>Revenues</td>
<td>1,008.0</td>
<td>933.7</td>
<td>74.3</td>
<td>8.0</td>
</tr>
<tr>
<td>Operating income</td>
<td>10.5%</td>
<td>9.2%</td>
<td>19.6</td>
<td>22.7</td>
</tr>
<tr>
<td></td>
<td>105.7</td>
<td>86.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>6.1%</td>
<td>5.9%</td>
<td>6.7</td>
<td>12.3</td>
</tr>
</tbody>
</table>

*Operating income
3. Prospects for current fiscal year

- **Japan**
  - Public works: Demand for reconstruction will move into high gear. However, it seems to have only limited impact for us.
  - AG machinery: Many issues

- **Overseas**
  - Asia: Sales of AG machinery will return to a growth track mainly due to demand recovery in Thailand. Sales of construction machinery and engines will also increase.
  - North America: Sales of tractors will increase steadily. Sales of construction machinery and engines will continue to expand.
  - Europe: Uncertain conditions
3. Prospects for current fiscal year

- We are going to focus on increasing revenues.
- Anticipated operating income will include special items that will reduce our profitability.

<table>
<thead>
<tr>
<th></th>
<th>2013.3 (Forecast)</th>
<th>2012.3 (Results)</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td>1,150.0</td>
<td>1,008.0</td>
<td>142.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>14.1%</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>105.0</td>
<td>105.6</td>
<td>0.6%</td>
</tr>
<tr>
<td></td>
<td>9.1%</td>
<td>10.5%</td>
<td></td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>65.0</td>
<td>63.3</td>
<td>1.7</td>
</tr>
<tr>
<td>attributable to Kubota Corp.</td>
<td>5.7%</td>
<td>6.3%</td>
<td>2.6%</td>
</tr>
</tbody>
</table>
4. Basic management policy

- Basic management policy
  1. Further expansion of overseas business
  2. Implementation of structural reforms

- Priority issues
  1. Implementation of long-term growth strategies in the fields of Food, Water, and the Environment
  2. Expanding overseas production
  3. Enhancing business development in emerging countries
  4. Upgrading regional management functions
  5. Structural reforms of domestic business activities
4. Basic management policy

(1) Further expansion of overseas business
   - Necessary to expand overseas business
     - Growing importance of emerging markets

(2) Implementation of structural reforms
   - Adapt to overseas shift of activities
   - Improve profitability of domestic business
     - Review low-profit businesses
     - Reallocate resources to growing area
5. Priority issues

(1) Implementation of long-term growth strategies in the fields of Food, Water, and the Environment

【Food field】—Goal

To become a comprehensive manufacturer of agricultural machinery

- Enter the production of large-scale agricultural machinery for dry-field farming
- NOT TO adhere strictly to self(in-house)-development
  - Acquisition of Kverneland ASA is our first step

Outline of Kverneland ASA (Norway)

Business: Manufacturing and sales of agricultural implements
Capital: 17.4 million Euros
Revenues: 448.2 million Euros (2011)
Head count: 2,091 (As of Sept. 30, 2011)
5. Priority issues

(1) Implementation of Long-Term Growth Strategies in the Fields of Food, Water, and the Environment

【Water & Environment field】—Goal

Clarify our priority markets, and formulate and implement business strategies

- Focusing on other Asian countries, in addition to China
  - China・・・2 subsidiaries in the membrane system and 1 in the pump business
- Considering collaboration with consultants, plant engineering companies, civil engineering contractors, etc.
(2) Expanding overseas production

Intend to expand overseas production to achieve 30% overseas production ratio

[Overseas production site under construction]

<table>
<thead>
<tr>
<th>Country</th>
<th>Product</th>
<th>Start of commercial production (projected)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thailand</td>
<td>Diesel engines</td>
<td>From Oct. 2012</td>
</tr>
<tr>
<td>China</td>
<td>Construction machinery</td>
<td>From Aug. 2012</td>
</tr>
<tr>
<td>U.S.A.</td>
<td>Tractors</td>
<td>From Jan. 2013</td>
</tr>
<tr>
<td>Canada</td>
<td>Brake pad materials</td>
<td>From Apr. 2013</td>
</tr>
</tbody>
</table>

Rendering of tractor plant in the U.S.A.  
Groundbreaking ceremony of tractor plant (U.S.A.)
5. Priority issues

(2) Expanding overseas production

- Expanding global procurement and supply of products among overseas production sites
  - Supply U.S.-made mowers and UVs to Europe and Australia
  - Supply China-made combine harvesters and rice transplanter to Asian countries
  - Supply Thai-made tractors to North America from 2012

- Enhancing overseas R&D sites
  - Established Power and Utility Equipment Engineering North America Dept. in Apr. 2011
  - Established India Technical Information Center in Aug. 2011
5. Priority issues

(3) Enhancing business development in emerging countries

【Machinery】

- Leveraging the existing sites in Thailand and China to develop business in emerging countries such as Laos, Myanmar and Cambodia
- Sales expansion in existing countries and widening of sales areas
  - Existing countries: Vietnam, India, Philippines (set up a subsidiary in Aug. 2011) and Indonesia
  - Widening sales areas: Considering entry into Latin America and Africa
- Supporting sales increase with retail finance
  - Established a leasing subsidiary in China
5. Priority issues

(3) Enhancing business development in emerging countries

【Water & Environment】

- Newly established Business Development Headquarters
  - Company-wide promotion of overseas development in Water & Environment business

- Stronger needs for water & environment infrastructure
  - We have the seeds for products to meet such needs.

Exhibition related to water treatment business in China
5. Priority issues

(4) Upgrading regional management functions

Necessary business infrastructure and awareness for fulfilling global expansion

- Resource allocation from a viewpoint of globalization
- Planning measures reflected on regional matters
- Efficient use of resources in each region
- Promoting the upgrading of regional management structures in addition to China headquarters company
  - North America, Europe, and other areas
5. Priority issues

(5) Structural reforms of domestic business activities—Goal

To strengthen growth areas aggressively.
To restructure declining areas.

<Machinery>
- Business reform in domestic AG business
  - Realignment of sales organization
  - Fostering solutions businesses

<Water & Environment>
- Rearrangement of domestic production sites

Direct seeding method of rice planting with iron-coated seeds in areas stricken by the earthquake (one of our solution businesses)
6. Conclusion

We should agilely establish alternative organizations and systems, which can respond flexibly to severe changes and realize business expansion.

Meanwhile, we will continue to be a company to recognize and use the power of our fundamental strengths, such as technology and manufacturing, as well as CSR.

To be a “sustainable company” with growth potential and soundness under any and all circumstances.
Cautionary Statements with Respect to Forward-Looking Statements

These documents 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, continued competitive pricing pressures in the marketplace, as well as the Company’s ability to continue to gain acceptance of its products.
Kubota
For Earth, For Life