Basic Management Policy and Priority Measures

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President and Representative Director
Kubota Corporation
February 19, 2020
1. Self-introduction and Personal History
2. Review of Last Fiscal Year and Prospects for Current Fiscal Year
3. Management Philosophy and Basic Management Policies
4. Priority Measures
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I will introduce myself.

After I joined Kubota in 1979, I had been mainly in charge of R&D and design of tractors for 30 years.

With respect to topics which are not on the slide, I resided in sub-office in Hokkaido, Research & Development Headquarter for two years in my second year at Kubota. At that time, I didn’t know so much about agriculture, so my boss told me to research on large-scale farming in Hokkaido and I was sent there. Since 1992, I had resided in sub-office in Dallas, the U.S., for 2 years, and I had been engaged in researching the market and planning new models.

I consistently have been on our customers’ side, solved problems, and managed business operations through our products.
Revenue hit a high record.
Operating profit increased due to increased sales and a decrease in sales promotion expenses resulting from declined interest rates, while there were negative effects from increased fixed costs and yen appreciation. Profit attributable to owners of the parent (hereinafter “profit”) increased as well.

<table>
<thead>
<tr>
<th></th>
<th>Year ended Dec. 31, 2019</th>
<th>Year ended Dec. 31, 2018</th>
<th>Changes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Amount</td>
</tr>
<tr>
<td>Revenue</td>
<td>1,920.0</td>
<td>1,850.3</td>
<td>+69.7</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>+3.8</td>
</tr>
<tr>
<td>Domestic</td>
<td>625.4</td>
<td>577.3</td>
<td>+48.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>+8.3</td>
</tr>
<tr>
<td>Overseas</td>
<td>1,294.7</td>
<td>1,273.0</td>
<td>+21.7</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>+1.7</td>
</tr>
<tr>
<td>Operating profit</td>
<td>10.5%</td>
<td>10.2%</td>
<td>+12.3</td>
</tr>
<tr>
<td></td>
<td>201.7</td>
<td>189.3</td>
<td>+6.5</td>
</tr>
<tr>
<td>Profit attributable to owners of the parent</td>
<td>7.8%</td>
<td>7.5%</td>
<td>+10.5</td>
</tr>
</tbody>
</table>

Revenue hit a record high.
In domestic market, revenue in Water & Environment increased significantly mainly due to the construction of melting facility for reducing volume of radioactive waste in Futaba Town, Fukushima Prefecture.
In overseas market, revenue in Farm & Industrial Machinery increased mainly due to increased sales of construction equipment (hereinafter “CE”) and tractors in North America, while there were negative effects from inclement weather and yen appreciation.

Operating profit increased due to increased sales in domestic and overseas markets and a decrease in sales promotion expenses resulting from declined interest rates in the U.S., while there were negative effects from an increase in fixed costs along with business expansion and the yen appreciation. In addition, our profitability improved as well.
Revenue is expected to hit a record high again due to increased sales in North America and Thailand.

Operating profit and profit attributable to owners of the parent (hereinafter “profit”) are expected to remain at the same level as the prior year because of temporary factors such as a negative impact from deterioration in profitability in domestic manufacturing bases, resulting from a rapid reduction in production volume mainly caused by the Typhoon No. 19, which will be realized in this year along with the shipments of inventory.

Concerns about outlook for the Chinese economy and the impact on the supply chain are increasing due to infection spread of the novel coronavirus. However, as it is difficult to estimate the impact on our results at this point, the impact is not included in our forecasts.
I focus on the spirit of "On Your Side". This means that we are on customers’ side, but more specifically it means that we always imagine and prospect the future from the perspective of customers and society, and pick up and resolve the issues ahead of the rest of the world.

I realized the importance of the spirit when I had a one-month live-in training at a dairy farm in Hokkaido during my second year at Kubota. At that time, since I had engaged in development of tractors and farm equipment, I was curious in how farm machinery was used and how farmers thought about farm machinery. However, farmer’s interest was in cows, crops and weather, and the priority of farm machinery was low. In fact, I touched farm machinery only a few times during my 1 month stay. I realized that it is necessary not to think about what we can do but to think about what is meaningful to our customers in the spirit of “On Your Side”, in order to be truly useful to customers.

Our basic stance is to prospect barriers, which will stand in the way of our customers' future, from not our own perspective but perspective of the customers and the society, pick up issues, and resolve them. This is in line with the philosophy of the founder (Mr. Gonshiro Kubota), “Our products should not only be technically excellent, but also useful for the good of society”. In addition, this is also in line with the philosophy of “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, which was advocated by the chairman and the former president, Mr. Kimata. This basic stance is considered to be the most important element in raising corporate value as a sustainable company.

Celebrating our 130 year anniversary and keeping our founding philosophy in our mind, we will take on the challenge of realizing GMB Kubota.
It is said that times are undergoing a period of great change. We expect that a major wave of changes will impact on our business areas of food, water and environment within at least 10 years. While we have a sense of crisis caused by the wave which may change our business structure significantly, we also think that this is a huge growth opportunity for us. In order to lead this change to our growth, we would like to generate innovation and transform ourselves from a provider of individual products to a provider of total solutions by utilizing new technologies and internal and external resources.

Based on this situation, the first basic policy is “No growth without innovation”. In 2019, we have begun establishing the new Sakai R&D center, which will serve as a core base for controlling world-wide R&D, including the integration of IoT and ICT technologies and the development of key components to be supplied to overseas sites. We acquired land of 330,000 square meters in Sakai city and will work on improving development efficiency by integrating not only design and research but also a test course, which is currently in Mie Prefecture, into the new R&D center. We will significantly improve the quality and efficiency of R&D through new initiatives such as Design Process Innovation in order to win the global development competition for the future. In addition to our R&D bases in North America, Europe, Thailand, and China, we are also under consideration of establishing a new R&D center in India and aim to establish a global R&D structure in six regions around the world including Japan, so that engineers around the world can engage in efficient and creative development in line with the same values.

Moreover, we have established Innovation Centers in Japan and Europe to aim at creating new values that exceed customers’ expectations through planning and proposing businesses, products and services all beyond the existing business fields and promoting open innovation. Going forward, we will expand this initiative to more regions and actively invest in products and services, which we cannot provide on our own, to build businesses necessary for the future.
The second basic policy is “Transforming ourselves from a provider of individual products to a provider of total solutions”.
We have established “Customer Solution Division” within Farm & Industrial Machinery Consolidated Division and “Water and Environmental Solution Developing and Sales Department” within Water & Environment Infrastructure Consolidated Division in order to explore new businesses and business fields beyond the existing business fields.

“Customer Solution Division” is engaged in aftermarket businesses comprehensively. In particular, we aim to promote improvement of customer satisfaction and expansion of our aftermarket businesses through providing and proposing solutions and services utilizing IoT tools.
In addition, we will consider strategies for incorporating aftermarket parts, and also aim to significantly expand sales of parts and services business and establish its position as a core business with high profitability in Kubota Group.

“Water and Environmental Solution Developing and Sales Department” is an organization that integrates solution proposal divisions of both Pipe Systems and Infrastructure Division and Environmental Solutions Division.
By viewing clean water business & sewage water business or pipe line business & facility business as one business and proposing solutions by taking full advantage of Kubota Group’s comprehensive capability, we will enhance our ability to respond to new ordering methods such as public-private projects and comprehensive contracts to expand orders.
By implementing these management policies, we aim to maximize profit and improve profitability by transforming our business foundation to one that can beat global competition in the midst of major changes in the business structure.
I will explain about priority measures, which we will tackle as mid and long term themes.

The first priority measure is “Identifying issues more flexibly and proactively”. By using lens with wider and multilateral perspective in the midst of changes of planet and social environment becoming increasingly serious, and digging issues a few steps ahead of society and customers, we will proactively identify issues in the manner that only Kubota can tackle.
We will strengthen our initiatives for advanced technologies and solutions focusing on future changes in society or customers, such as developing robotic farm equipment which realizes smart farming, electrifying farm equipment and CE, sophisticating IoT platform and Kubota’s smart systems such as KSAS (Kubota Smart Agri System) and KSIS (Kubota Smart Infrastructure System), expanding applicable scope of them, establishing smart food value chain, and utilizing Kubota’s own unique melting technologies which realize circulating society.

Furthermore, as the society is entering a period of great changes, it has been necessary to create concrete plans of advanced development looking ahead 10 years. For example, we will consider how future tractors will change along with innovation in the market and technology and how we should change them, and we will advance measures.
2. Developing open and innovative technologies and business schemes

Developing innovative business technologies and business scheme proactively by adopting a more open attitude to utilize ideas from other business fields and occasionally collaborating with external business partners based on cutting edge R&D.

The second priority measure is "Developing open and innovative technologies and business schemes". We will proactively develop innovative business technologies and business scheme by adopting a more open attitude to utilize ideas from other business fields and occasionally collaborating with external business partners based on cutting edge R&D.
Deep tech is groundbreaking, but dormant technology at this moment, and it is element technology which will have a great impact on the society in the future. In order to lead the market, it is extremely important to create new values together with our business partners who own such deep tech in addition to Kubota’s own efforts.

The innovation center has invested in agricultural startups which possess advanced agricultural technologies, established a satellite office in Wageningen University in the Netherlands in order to further promote the cooperative relationship with Wageningen University & Research, which is one of the world’s greatest authorities in agricultural research, and participated in "THRIVE Accelerator Programs" in the U.S. in order to accelerate open innovation with external partners, such as startups.

Going forward, we will continue to strengthen collaboration with a lot of players, such as startups, farmers, research institutions, and universities, and aim to realize labor-saving and streamlining in farming. We will also promote projects which are difficult to be successful by the effort of a single company alone, such as technological research required for next generation farm equipment and the establishment of smart food value chain involving the sixth and distribution industry, through forming alliances with industry, government, academia, and startups.
3. Creating and providing total solutions through promoting DX (Digital Transformation) utilizing new IT

Promoting utilization of data and digital technologies, as fundamental technologies for DX, such as the cloud, AI, and 5G, are evolving continuously.
Creating and providing total solutions and contributing to society by transforming our behaviors, knowledges, experiences, and products.

The third priority measure is “Creating and providing total solutions through promoting DX (Digital Transformation) utilizing new IT”. Fundamental technologies for DX, such as the cloud, AI, and 5G, are evolving continuously. By transforming our behaviors, knowledge, experiences, and products through utilizing these data and digital technologies, we will create and provide total solutions and contribute to the society.
To achieve the objectives, we make efforts to maximize efficiency in operation by utilizing ICT technologies such as IoT and AI. In addition, we will also change the structure of our business itself. Specifically, by promoting DX, we aim to improve the value provided to stakeholders by providing data and strengthening cooperation with them, develop new businesses by providing customers with new products and services covering entire value chain that are made by combining cutting edge technologies, and transform production and operation processes by leveraging digital technologies.
This is the picture of the long term vision for next 10 years that we are trying to achieve by implementing priority measures.

In order to realize GMB, we will aim not only to expand each global loop of food, water and environment, but also to expand overlapping business areas of food, water and environment, which are closely linked themes, aiming at unifying each business area. More specifically, we aim to maximize our contribution to the society by providing total solutions through synergy created by collaboration and inspiration of each business domain, such as the areas of food, water and environment mutually.

For example, there is a need for further evolution in rural areas, such as countermeasures to the lack of human resources due to the aging and frequent natural disasters. However, that's not the only problem. It is also necessary to consider what sustainable agriculture and rural areas should be.

We consider that Kubota is expected to support sustainable agriculture by a lot of initiatives, such as using agricultural chemicals that have a smaller environmental impact and chemical fertilizers only as needed, making the waste products of the production cycle into renewable resources and reusing them, recirculating energy, involving a consistent water cycle across both agricultural water management and water supply & sewer infrastructure, and supporting sustainable agriculture by providing solutions for overall agricultural production cycles including production, logistics, and consumers. In addition, we believe that we can provide total solutions, which will create a more efficient recycling-based society in rural areas by utilizing ICT and DX, which have recently undergone remarkable technological innovation.

We will contribute to realization of a sustainable society through these initiatives.
We will create a mid term business plan during this year toward realization of this long term vision. As the details will be formulated in the mid term business plan, I will explain only the basic policy of the mid term business plan today.

In the mid term business plan, we will select important themes to be tackled in the next 3-5 years as milestones toward the realization of our long term vision. We will then create plans about strategies for business expansion and improvement of profitability, strengthening the business structure, expansion and allocation of management resources, KPIs, and so on. In addition, we will create the mid term business plan in adequate consideration of ESG in the aspect of the management.
I will explain about some business areas to be focused on briefly.

In Farm & Industrial Machinery, we will focus on business themes, such as continuous growth of core business with high profitability, expanding strategic businesses, and developing businesses in emerging markets.

In the theme of continuous growth of core business with high profitability, we will deepen business opportunity by expanding our product lineup in North America and Thailand, drive smart farming and total solutions in response to aging and labor shortage in Japan, and increase our market share by expanding our product lineup of CE and engines.

In the theme of expanding strategic business, we will promote to expand our market presence by starting domestic production in India, where new manufacturing plant is under construction currently, and create global strategy to utilize it as exporting base. In addition, we will accelerate growth in 7 countries in ASEAN other than Thailand (Cambodia, Myanmar, Philippines, Vietnam, Indonesia, Laos, and Malaysia), whose farmland area and rice production volume are nearly five times greater than Thailand. In the large sized farm equipment business for upland farming, we will introduce the M8 series with a maximum output of 210 horsepower to the North American market this year in addition to further acceleration of the market penetration of the M7 series. We also aim to increase our market presence in Europe, where the market for these horsepower ranges is large, as well as North America.

In the theme of developing business in emerging markets, we aim to develop markets in Africa, Central and South America, Eastern Europe, Turkey and other emerging countries promptly with an eye on utilization of outside resources. In Africa, we have an office in Kenya and our business is in the preparation stage.
In Water & Environment, we will promote to develop businesses by leveraging our technological and comprehensive capability, including ICT technology such as KSIS, smart MBR technology with function of highly advanced treatment, space-saving, and energy-saving, and Kubota’s own unique technology in melting that enables the reduction of hazardous waste and the recovery of resources, in order to respond to social problems, such as a decline in population, an increase in natural disasters, and a shift to a recycling-oriented society along with the depletion of resources.

<table>
<thead>
<tr>
<th>Creation of Mid Term Business Plan</th>
<th>Business themes to be focused on (Water &amp; Environment)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Providing total solutions</td>
<td>• Addressing orders of DBO and concession method</td>
</tr>
<tr>
<td></td>
<td>• Resolving issues of labor shortage by ICT technologies such as KSIS</td>
</tr>
<tr>
<td>Utilizing smart MBR technology</td>
<td>• Strengthening proposal for reconstruction or integration of facility by MBR technology with function of highly advanced treatment, space-saving, and energy-saving</td>
</tr>
<tr>
<td>Utilizing Kubota’s own unique technology in melting</td>
<td>• Contributing in volume reduction of hazardous waste and recycling</td>
</tr>
<tr>
<td></td>
<td>• Recovering resources, such as phosphorus (function as urban mines)</td>
</tr>
<tr>
<td>Countermeasures against natural disaster</td>
<td>• Earthquake countermeasures, such as earthquake resistant ductile iron pipes</td>
</tr>
<tr>
<td></td>
<td>• Flood damage countermeasures, such as drainage pumps for rain water and drainage pump vehicles</td>
</tr>
</tbody>
</table>
We will also consider the allocation of management resources.

In terms of capital expenditures, we will invest in R&D and IT infrastructure needed to maintain and strengthen our competitiveness over the long term based on the priority measures. Moreover, we will also establish resilient production structure including supply chain with the aim of resolving shortage of production capacity, strengthening overseas production to lower foreign exchange risks and reduce lead time, and minimizing the impact from natural disasters such as typhoons and earthquakes.

In addition to capital expenditures, we also aim to maximize the effects from expanding or appropriately allocating human resources and R&D resources.
As for performance indicators, we will set KPIs and targets to be emphasized in our mid term business operations.

By setting KPIs and targets toward improving operating profit margin and operating cash flow, and increasing efficiency of asset and capital, we will control immediate negative effects on profit from globally intensified competition and upfront investment, such as investment for expansion of business fields and large scale capital expenditures, in the immediate future, and then, expanding profit.

We will maintain basic policy for shareholder returns. We aim for payout ratio of 30% as target, and we will continue to achieve shareholder return ratio of over 30%, including dividend paid and retirement of treasury shares. However, we set the targets above as minimum requirement and aim at enhancing them further.
There are a number of problems that should be resolved, such as global food shortages, water pollution caused by economic development, and the intensification of changes in weather due to global warming. In addition, I feel that the damage from natural disasters is growing year by year even in Japan. Under these circumstances, we will make efforts to become a company that provides services to be used surely by people who engage in jobs to support people’s life at the time of their challenges to create new products or services; in other words a platformer that supports life through technology innovation. Through these efforts, we aim at maximum contribution to SDGs, long term growth, and increasing the corporate values.
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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