Basic Management Policy and Priority Measures

Yuichi Kitao
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
5. Long Term Vision for the Next 10 Years and Mid Term Business Plan
6. Conclusion
1. Self-introduction and Personal History

Yuichi Kitao

Born in 1956 (63 years old)

Graduated from Department of Naval Architecture and Ocean Engineering, Faculty of Engineering, the University of Tokyo in 1979

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apr. 1979</td>
<td>Joined Kubota Corporation</td>
</tr>
<tr>
<td>Apr. 2005</td>
<td>General Manager of Tractor Engineering Dept. of Kubota Corporation</td>
</tr>
<tr>
<td>Apr. 2009</td>
<td>Executive Officer of Kubota Corporation, General Manager of Tractor Division of Kubota Corporation</td>
</tr>
<tr>
<td>Jan. 2011</td>
<td>President of Kubota Tractor Corporation</td>
</tr>
<tr>
<td>Apr. 2013</td>
<td>Managing Executive Officer of Kubota Corporation</td>
</tr>
<tr>
<td>Oct. 2013</td>
<td>General Manager of Farm and Utility Machinery Division, General Manager of Farm and Utility Machinery International Operations Headquarters of Kubota Corporation</td>
</tr>
<tr>
<td>June 2014</td>
<td>Director and Managing Executive Officer of Kubota Corporation</td>
</tr>
<tr>
<td>Apr. 2015</td>
<td>Director and Senior Managing Executive Officer of Kubota Corporation, General Manager of Farm and Industrial Machinery Domain of Kubota Corporation</td>
</tr>
<tr>
<td>Jan. 2019</td>
<td>Representative Director and Executive Vice President of Kubota Corporation, General Manager of Farm and Industrial Machinery Consolidated Division of Kubota Corporation</td>
</tr>
<tr>
<td>June 2019</td>
<td>General Manager of Innovation Center of Kubota Corporation</td>
</tr>
<tr>
<td>Jan. 2020</td>
<td>President and Representative Director of Kubota Corporation</td>
</tr>
</tbody>
</table>
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>Amount</td>
<td>%</td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>1,920.0</td>
<td>1,850.3</td>
<td>+69.7</td>
</tr>
<tr>
<td>Domestic</td>
<td>625.4</td>
<td>577.3</td>
<td>+48.0</td>
</tr>
<tr>
<td>Overseas</td>
<td>1,294.7</td>
<td>1,273.0</td>
<td>+21.7</td>
</tr>
<tr>
<td>Operating profit</td>
<td>10.5%</td>
<td>10.2%</td>
<td>+12.3</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>
2. Review of Last Fiscal Year and Prospects for Current Fiscal Year

- Revenue is expected to hit a record high again due to increased sales in North America and Thailand.
- Operating profit and profit are expected to be at the same level as the prior year due to some negative effects such as yen appreciation and deterioration in profitability in manufacturing bases along with a reduction in production volume mainly due to the Typhoon No. 19.
- It is difficult to estimate the impact from infection spread of the novel coronavirus on the result, so business environment is highly uncertain.

<table>
<thead>
<tr>
<th>(Unit: billions of yen)</th>
<th>Year ending Dec. 31, 2020 (Forecast)</th>
<th>Year ended Dec. 31, 2019 (Actual)</th>
<th>Changes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Amount</td>
</tr>
<tr>
<td>Revenue</td>
<td>1,950.0</td>
<td>1,920.0</td>
<td>+30.0</td>
</tr>
<tr>
<td>Operating profit</td>
<td>10.3%</td>
<td>10.5%</td>
<td>-1.7</td>
</tr>
<tr>
<td>Profit attributable to owners of the parent</td>
<td>7.6%</td>
<td>7.8%</td>
<td>-1.1</td>
</tr>
</tbody>
</table>

KUBOTA Corporation (Financial results for the year ended December 31, 2019)
On Your Side

Always imagine and prospect the future from the perspective of customers and society, and dig and resolve the issues ahead of the rest of the world.
3. Management Philosophy and Basic Management Policies

“No Growth Without Innovation”

◆ Establishing the new Sakai R&D center and global R&D structure (Control and accelerate R&D from 6 R&D bases)

  ✓ Improving the quality of products and efficiency of R&D spectacularly by leveraging DPI (Design Process Innovation)
  ✓ Improving the capability of product development significantly and accelerating efficient and creative product development all over the world by establishing global R&D structure

◆ Established Innovation Center

  ✓ Accelerating creation of new business opportunities, products, and services by fully leveraging Innovation Center

Kubota Research & Development Asia (R&D center in Thailand)
3. Management Philosophy and Basic Management Policies

➤ “Transforming ourselves from a provider of individual products to a provider of total solutions”

◆ Established “Customer Solution Division” (Machinery)
  ✓ Providing and proposing solutions and services utilizing IoT tools
  ✓ Supporting customers to lead their business to success

◆ Established “Water and Environmental Solution Developing and Sales Department” (Water & Environment)
  ✓ 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
  ✓ Expanding orders of public-private projects and comprehensive projects, such as DBO (design build operate) orders
3. Management Philosophy and Basic Management Policies

Creating business foundation which beats global competition in the midst of changes in the business structure

Maximizing profit and improve profitability
◆ Expanding business fields and market share
◆ Expanding high profitability business, such as after-sales business
4. Priority Measures

1. Identifying issues more flexibly and proactively

Using lens with wider and multilateral perspective in the midst of changes of planet and social environment, and digging issues a few steps ahead of society and customers. Proactively identifying issues in the manner that only Kubota can tackle.
4. Priority Measures

1. Identifying issues more flexibly and proactively
   ◆ Strengthening advanced technologies and initiatives for development of solutions focusing on future changes of society or customers
     ✓ Developing robotic farm equipment which realizes smart farming
     ✓ Electrifying farm equipment and CE
     ✓ Sophisticating Kubota’s smart system (KSAS and KSIS) and IoT platform, and expanding applicable scope of them
     ✓ Establishing smart food value chain
     ✓ Utilizing melting technologies (contribution to realize circulating society)
   ◆ Creating concrete plan of advanced development looking ahead 10 years

Volume reduction facility in Futaba Town, Fukushima Prefecture

Concept tractor (X tractor)
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.
2. Developing open and innovative technologies and business schemes

◆ Crating new values by Deep Tech which will have a major impact on society in the future

☑ Invested in agricultural startups which possess advanced agricultural technologies
  - Advanced Farm Technologies, Inc.
  - Abundant Robotics, Inc.

Automated apple harvesting robot
©2020 Abundant Robotics, Inc.

☑ Established satellite office in Wageningen University in the Netherlands
☑ Participated in “THRIVE Accelerator Program” in the U.S.

Strengthening collaboration with a lot of players, such as startups, farmers, research institutions, and universities, and contributing to labor-saving and streamlining in farming
4. Priority Measures

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.
4. Priority Measures

3. Creating and providing total solutions through promoting DX (Digital Transformation) utilizing new IT

◆ Providing stakeholders with data and strengthening cooperation with them
  ✓ Customers: Improving their profitability and customer value
  ✓ Dealers: Increasing their sales and improving the efficiency of their operations
  ✓ Suppliers: Secure stable supply capability of parts

◆ Providing customers with new products and services covering entire value chain that are made by combining cutting edge technologies
  ✓ Expanding lineup of automatic driving products and related services
  ✓ Generating variety of data information by leveraging AR (augmented reality) and sensing technology, and utilizing them

◆ Transforming production and operation processes by leveraging digital technologies
  ✓ Improving productivity in the fields of plants, offices, sales and services
5. Long Term Vision for the Next 10 Years and Mid Term Business Plan

Providing total solutions through synergy created by collaboration and inspiration of each business division

- **Biomass energy**
  - Sewage water treatment
    - Extraction of phosphorus
    - Fertilizer for agriculture
  - Membrane solution
  - Flow of water circulation
    - Management of agricultural water
    - Infrastructure of water supply and sewage systems
  - Effluent treatment & Sewage treatment
  - Water Infrastructure
  - Advanced water purification

**Providing total solutions through utilization of ICT and DX**

- **Food**
  - Food demand
  - Farm equipment
  - Food production
  - Energy cycle (Recycling by reuse of waste)
  - Engine

**Kubota Corporation**

(Financial results for the year ended December 31, 2019)
Creation of Mid Term Business Plan

- Creating mid term business plan in 2020
  - Creating mid term business plan toward realization of long term vision for the next 10 years
    - Selecting important themes to be tackled in the next 3-5 years, and creating plans about strategy for business expansion and improvement of profitability, strengthening of business structure, expansion or allocation of resources, KPIs, and so on
    - Creating mid term plan in consideration of themes of ESG (Environment, Society, and Governance)
5. Long Term Vision for the Next 10 Years and Mid Term Business Plan

### Creation of Mid Term Business Plan

- **Business themes to be focused on (Machinery)**

<table>
<thead>
<tr>
<th>Continuous growth of core business with high profitability</th>
<th>North America and Thailand</th>
<th>Deepening business opportunity by expanding product lineup</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td></td>
<td>Driving smart farming and total solutions</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(Countermeasures against aging and labor shortage)</td>
</tr>
<tr>
<td>CE and Engines</td>
<td></td>
<td>Increasing market share by expanding product lineup</td>
</tr>
<tr>
<td>Expanding strategic business</td>
<td>India</td>
<td>Expanding our market presence by starting domestic production</td>
</tr>
<tr>
<td>ASEAN</td>
<td></td>
<td>Accelerating growth in 7 countries in ASEAN other than Thailand (farmland area in 7 countries is nearly five times greater than Thailand)</td>
</tr>
<tr>
<td>Large sized farm equipment for upland farming</td>
<td></td>
<td>Increasing our market presence in Europe and North America</td>
</tr>
<tr>
<td>Developing business in emerging markets</td>
<td>Africa, Central and South America, Eastern Europe, Turkey, etc.</td>
<td>Developing business promptly with a view of utilizing of outside resources</td>
</tr>
</tbody>
</table>
### Creation of Mid Term Business Plan

#### Business themes to be focused on (Water & Environment)

| Providing total solutions | • Addressing orders of DBO and concession method  
|                           | • Resolving issues of labor shortage by ICT technologies such as KSIS |
| Utilizing smart MBR technology | • Strengthening proposal for reconstruction or integration of facility by MBR technology with function of highly advanced treatment, space-saving, and energy-saving |
| Utilizing Kubota’s own unique technology in melting | • Contributing in volume reduction of hazardous waste and recycling  
| | • Recovering resources, such as phosphorus (function as urban mines) |
| Countermeasures against natural disaster | • Earthquake countermeasures, such as earthquake resistant ductile iron pipes  
| | • Flood damage countermeasures, such as drainage pumps for rain water and drainage pump vehicles |
5. Long Term Vision for the Next 10 Years and Mid Term Business Plan

Creation of Mid Term Business Plan

- Optimal resource allocation

- Plan for capital expenditures
  
  Continuing to make high level of capital expenditures in the immediate future with the aim of maintaining and improving our competitiveness
  
  ✓ Strengthening investment in R&D and IT infrastructure based on priority measures
  
  ✓ Establishing 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 reducing the impact from natural disasters such as typhoons and earthquakes

- Allocation of other resources (Personnel, R&D, etc.)
  
  ✓ Expanding or allocating resources with the aim of maximizing the efficiency
5. Long Term Vision for the Next 10 Years and Mid Term Business Plan

Creation of Mid Term Business Plan

➢ Performance indicators

◆ Setting KPIs and targets to be emphasized

✓ Setting KPIs and targets toward improving operating profit margin and operating cash flow, and increasing efficiency of asset and capital
  → Aiming at compensating for 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

◆ Maintaining basic policy for shareholder returns

✓ Payout ratio : 30% as target / Shareholder return ratio : Over 30%
✓ Setting the targets above as minimum requirement and aiming at increasing further
6. Conclusion

Aiming at maximum contribution to SDGs and increasing corporate values as a platformer that supports life
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