Top Message

Yuichi Kitao

President and
Representative Director,
Kubota Corporation

By Continuing to Take on the Challenge of Business Growth and Resolving Social Issues, We Aim to Be an “Essentials Innovator for Supporting Life”

In 2021, I truly felt we provide an essential business

Last year was the first year of both our Long-Term Vision “GMB2030” and Mid-Term Business Plan 2025, and it was also a year in which we were called on to run our business while facing up to the COVID-19 pandemic and myriad other external factors. In the first half of 2021, we started to be affected by the procurement issues for materials such as resins and semiconductors, while later in the year production and sales around the world were impacted by further waves of the pandemic. As the economy began to recover, labor shortages became more pressing, and supply chains became chaotic. Despite all this, the business environment and demand improved, and our sales topped 2,000 billion yen for the first time ever, with operating profits also reaching a record high.

Once again, I truly felt that we provide an essential business. I am also genuinely thankful that it was a year in which we were able to gain the understanding and empathy of our customers and other stakeholders.

On the other hand, with the speed of business gradually increasing, needs for DX and other new services rising, and the necessity of achieving carbon neutrality as the climate changes, society is becoming more complex and more diverse on a global level. I feel that we are compelled to ask ourselves how we at the Kubota Group can respond to this, and what sorts of value we should be providing. As a company that has been working for more than 130 years with the mission of solving social issues, we are now being called on to show its real worth.

The thinking behind our Long-Term Vision “GMB2030”

Since I took up this position in 2020, our fundamental thinking has remained unchanged—we must realize our ideal, Global Major Brand Kubota (GMB Kubota). To ensure the realization of GMB Kubota in 2030, we formulated our Long-Term Vision “GMB2030.” The world is becoming more uncertain and society ever more complex, with issues such as climate change, global warming, natural disasters, infectious diseases, and food and water shortages arising from constantly growing populations. Therefore, to continue to protect people’s daily lifestyles, we will help bring about a more sustainable society. Our determination and readiness to act are embodied by our Long-Term Vision “GMB2030.”

The Kubota ideal for the future is to be committed to a prosperous society and cycle of nature by aiming to be an “Essentials Innovator for Supporting Life.” By providing solutions that can address issues in food, water, and the environment—fields without which people cannot live—we believe that we can make ourselves indispensable to society. In addition to further developing our existing business, we hope to be able to provide three new types of solutions by having each business field work together and cooperate with each other as a One Kubota Team—namely solutions aimed at enhancing the productivity and safety of food, promoting the circulation of water resources and waste, and improving urban and living environments.

I firmly believe that K-ESG management is the key to making our Long-Term Vision a reality

At the heart of our efforts to make our Long-Term Vision a reality are business operations that position ESG at the core of management. In recent years, society has undergone profound changes. During that time, with initiatives like the UN's Sustainable Development Goals (SDGs) and the Paris Agreement that provide long-term targets for the entire world, companies are being asked to take on a greater degree of social responsibility. In order for Kubota to continue to be a sustainable company, we will promote initiatives with a greater awareness of ESG (Environmental, Social, and Governance) than ever before. As a company engaged in the reduction of environmental impact and the resolution of social issues in its business activities in the fields of food, water, and the environment, we have defined the Kubota Group's unique ESG measures as K-ESG—measures that are rooted in the Group's corporate principles (the Kubota Global Identity). K-ESG management will provide the ethical and behavioral model to accomplish the goals of our Long-Term Vision "GMB2030" and, afterward, GMB Kubota.

Our focus is on four areas—solving environmental and social problems through business, accelerating innovation to solve problems, gaining empathy and participation of stakeholders, and building governance that increases sustainability—which we have broken down into twelve important matters (materiality).

The first of the four areas, solving environmental and social problems through business, could well be said to be a major part of our heritage, one of our core pillars. Since the company's founding, Kubota has aspired to resolve social issues by putting products and services out there. To prevent cholera, which is caused by unsanitary water, the company was the first in Japan to mass produce water supply pipes. After World War II, to resolve the food shortages that Japan faced, we helped mechanize farming, while in the period of rapid economic growth that followed, we provided Japanese society with products such as water treatment equipment and incinerators to deal with polluted water and municipal waste. Kubota's business does not only come from its excellence in technologies, but also from its ability to resolve social issues. That is truly part of our heritage, passed down in one unending line and as its inheritors we will both expand our existing businesses and offer new solutions. In the future, we will set concrete KPIs for materiality and, promote effective initiatives through dialogue with stakeholders.

Materiality for K-ESG management

Solving environmental and social problems through business	Accelerating innovation to solve problems
• Enhancing the productivity and safety of food • Improving urban and living environments • Promoting the circulation of water resources and waste • Mitigation of and adaptation to climate change	• Business operations based on diverse values • Strengthening of R&D and partnerships
Gaining empathy and participation of stakeholders	**Building governance that increases sustainability**
• Improvement of employee growth and job satisfaction • Enhancement of transparency and dialogue • Customer satisfaction and safety	• Strengthening of corporate governance • Strengthening of risk management • Penetration and practice of K-ESG management

A major shift to a solution provider for the next generation

Our efforts to achieve our Long-Term Vision "GMB2030," to support future generations, are founded on providing solutions and so we will accelerate initiatives that work toward that goal.

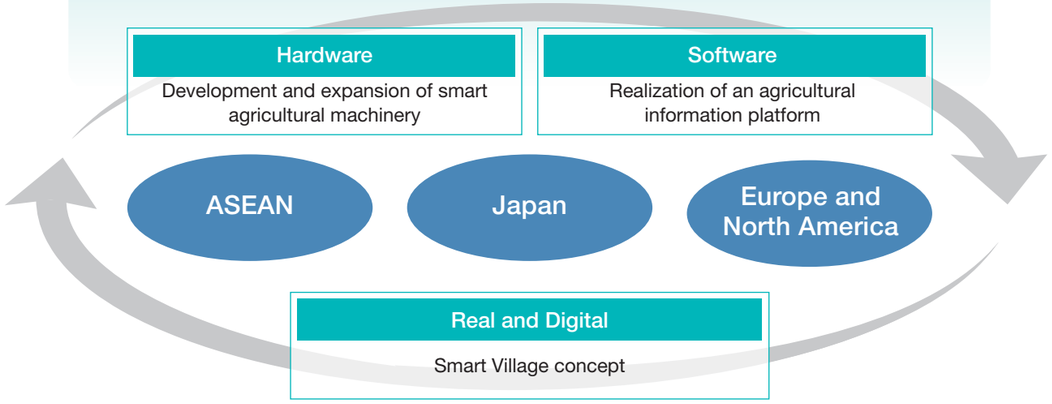
Firstly, with solutions to enhance the productivity and safety of food, we are pressing forward with the development of technologies to achieve smart agriculture. With the Kubota Smart Agri System (KSAS), a service that supports farm operations, we plan to make it open source so data can be shared with systems and apps offered by other companies. That way, we can provide this effective, sustainable service to even more farmers. To promote smart agriculture globally, we came up with the Smart Agriculture Grand Design, and we are developing smart agricultural machinery adapted to the individual needs of the Japanese, European and North American, and ASEAN regions. We will also speed up moves to construct a farming information platform. In addition to developing our own technologies, of course, we are looking to strengthen partnerships with start-ups with AI systems or robotics technologies.

Next, for solutions that promote the circulation of water resources and waste, we are working to create a resource recycling-oriented business model. We are called on to play our part in bringing about a circular economy; the technologies that we possess, with which we can recover metals or energy resources from waste to create items of value, mean that resources can be reused and this will help lead to zero emissions. As well as investing in cutting-edge companies in the field of resource recycling, we have set up projects that aim to integrate their technologies with our own. Furthermore, one obstacle to carbon neutrality is the amount of CO_2 produced by agriculture. We are running R&D into how to reduce this, and we have begun initiatives aimed at making effective use of the organic waste, such as rice husks and straw, which are byproducts of farming.

Recently, in Japan, we have been concluding collaborative agreements with different local authorities. The more directly we hear about the issues that local communities are grappling with, the more I realize they are linked to farming, water, and the environment, and the more I feel as there is still much for us to do. By constructing an ecosystem in cooperation with a variety of partners, we will create total solutions that only we at Kubota can provide.

Smart Agriculture Grand Design

Kubota's goal is to contribute to establishing a sustainable society through promotion of smart agriculture and to become an "agricultural innovator" that co-creates new values with local communities, customers, and business partners.



We are paying close attention to the global situation, and will boldly forge forward with a growth strategy to expand our existing businesses

Steadily developing our existing businesses is a vital part of supporting the creation of the foundations for the next generation. Based on the strengths of each business and market, we will continue to promote the expansion of product lineups, business expansion that meets the needs, and business expansion by updating, maintaining, and managing social infrastructure. As part of our Mid-Term Business Plan 2025, we have chosen four businesses to be our drivers of growth—construction machinery in North America, agricultural and construction machinery in the ASEAN region, global machinery and aftermarket services, and water environment solutions. In the past several years, the construction machinery

business in North America has grown in particular. As well as establishing local development frameworks, we began producing compact track loaders (CTLs) in North America, and we are making good progress toward starting mass production in the autumn of 2022. In the ASEAN region, where urbanization continues apace, we also expect to see greater demand for machinery. We will develop implements for use with dry field crops such as cassava, sugarcane, and corn locally, and by entering the local market we can promote the mechanization of dry field farming. In the machinery aftermarket service business, we are looking to build on what we have achieved by utilizing the rich lineup of operating equipment we have already put on the market. For our water environment solutions, we aim to break away from a focus on selling equipment to centering our business on O&M and solutions packages.

This year, we added another, fifth, driver of growth—the expansion of our business in India and entry into the basic machinery market. By maximizing synergy with Escorts, in whom we raised our investment ratio, we aim to increase our market share in India, which with 1 million units by 2030 is the world's biggest tractor market, to 25%, double our current share. We also plan to expand our exports of basic machinery both within India and elsewhere, particularly to Africa.

To respond to market needs, we will reform how our own business should function, at a speed that exceeds customer expectations.

Initiatives to develop new solutions

Total solutions across all products, technologies and services

Solutions to enhance the productivity and safety of food	Solutions to promote the circulation of water resources and waste	Solutions to improve urban and living environments

Accelerate R&D with an eye on a carbon-neutral society

As the market changes, carbon neutral initiatives around the world are gaining speed. It's no exaggeration to say that various technological developments in this field will determine where each company is positioned in the market five or ten years from now.

In addition to the 400 billion yen we have budgeted for research and development in our Mid-Term Business Plan 2025, we have decided to invest an additional 100 billion yen by 2025. We have outlined our Environmental Vision for 2050: "While challenging to achieve zero environmental impact, we will contribute to realizing a carbon neutral and resilient society in the fields of food, water, and the environment." We will set a priority order for social issues in each region, and based on that we will start to investigate specific measures, such as by what methods we can reduce our CO_2 emissions and under what policy.

There are three areas where we will be accelerating R&D. The first is into technologies for carbon-free power trains. We will advance development in every direction, in a form suited to each market based on technological progress by Kubota and the rest of the world. Examples include hybrid, battery-powered EVs, fuel cells, hydrogen engines and other engines that are compatible with carbon-free fuels.

The second area is the development of smart agriculture and autonomous technologies. Agriculture and the global environment are inextricably linked; for example, if we look at it from the perspective of carbon neutrality, we see that agriculture-related activities make up around a quarter of total greenhouse gas emissions. Indeed, methane from paddy fields and nitrous oxide from fertilizer left in the soil each have a much bigger effect on global warming than CO_2—it is said that the damage is as much as approximately 25 times higher for methane, and about 300 times higher for nitrous oxide. Using smart agriculture, farmers can distribute only the amount of fertilizer or agricultural chemicals required, and by appropriately controlling water flowing in and out of paddy fields, methane levels can be controlled. By changing how farmers farm, I think we can help take a step toward carbon neutrality.

The third, and final, area is resource recycling technologies. As I mentioned earlier when I spoke of new solutions, the technologies we possess allow us to recover resources and energy from sources such as "urban mining," biomass, and agricultural residues. I think we can also help with creating resilient mechanisms through achieving negative emissions by fixing carbon, and stopping rivers overflowing and preventing flooding by efforts like paddy field damming.

As the materiality that we have identified shows, the mitigation of, and adaption to, climate change is the common point that both links the three solutions we are aiming for with our Long-Term Vision "GMB2030," and is a prerequisite for it. By further increasing investment, we will create innovation that will firmly answer society's demands.

Fields in which we are accelerating R&D

1. Carbon-free power train technologies
2. Smart agriculture and autonomous technologies (autonomous and automatic)
3. Resource recycling technologies

Creating a sustainable management structure

Sustainable relationships with stakeholders and corporate governance are what will enable us to grow sustainably in the medium and long term.

The "S" in K-ESG stands for "society," which we take to also mean our stakeholders. Of those, we are prioritizing improvement of employee growth and job satisfaction, customer satisfaction and safety, and enhancement of transparency and dialogue. Employees are at the heart of the Kubota Group's activities. We plan to ensure that every single employee can grow and feel a real desire to work by promoting diverse ways of working and enhancing employee training.

The "G," then, stands for "governance." We have promoted diversity among managing executives—including looking at gender and nationality—and raised the effectiveness of the Board of Directors. Furthermore, we have carried out a review of the compensation system to incorporate elements of ESG. The corporate governance that we are putting in place will enhance the soundness of the company's management, as well as its effectiveness and transparency, while also boosting its sustainability. Society does not just ask for economic value from its companies, it places more importance on social value—in other words, how much of a contribution we make to society. Going forward, we will raise our corporate value on both economic and social values.

By taking the "On Your Side" approach, we aim to be an "Essentials Innovator for Supporting Life."

For me, it all started in my second year with Kubota. As a tractor engineer, I was living and working with dairy farmers in Hokkaido, and so I saw with my own eyes the difficulties of farmers. Day after day, farmers have so much work to do, battling nature as they deal with everything from the weather, crops, and the condition of their cows, to managing revenue. What should agricultural machinery and agriculture be for farmers? It made me ask myself what Kubota could, and should, be doing. The answer is that we should always look at things from the perspective of our customers and society, face up to issues, and do our best to resolve those issues. This is exactly what the "On Your Side" approach entails—an approach I believe Kubota must take to continue to be needed by society.

As an "Essentials Innovator for Supporting Life," the 40,000 members of the Group will work as a "One Kubota" and continue to contribute to the resolution of social issues in the fields of food, water, and the environment. Going forward, we aim to enhance stakeholders' understanding of the Kubota Group's approach and business, and will do our level best to build relationships that gain their empathy and participation. I hope we can continue to rely on your invaluable support.