

For Earth, For Life  
Kubota



ON YOUR SIDE

## Management Policy and Mid-term Business Plan Progress

Yuichi Kitao  
President and Representative Director  
Kubota Corporation



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# Achievements in 2021

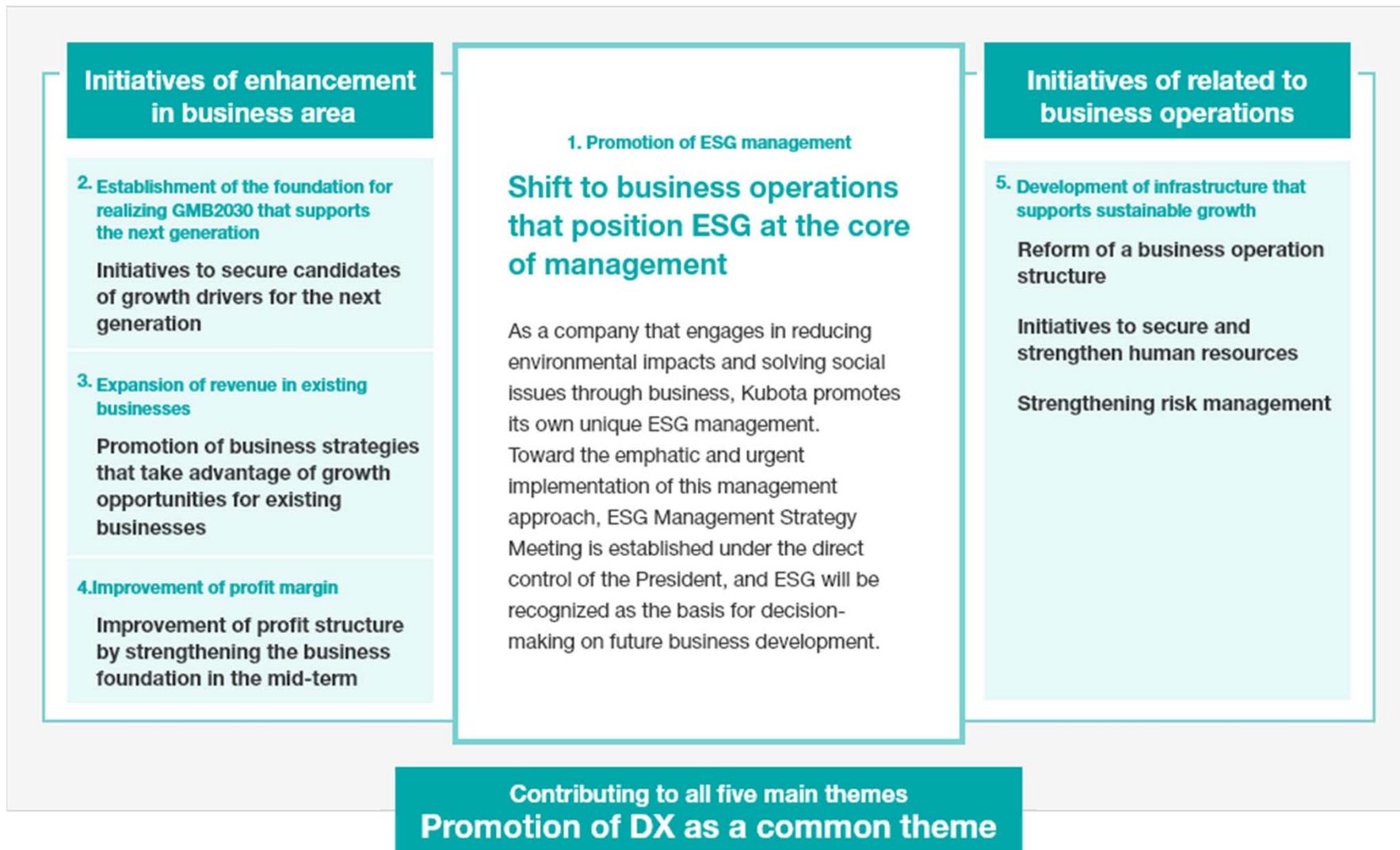
- Revenue exceeded 2 trillion yen, a record high.
- Operating profit reached a record high due to increased revenue despite soaring material prices and logistics expenses.

(Unit: billions of yen)	Year ended Dec. 31, 2021	Year ended Dec. 31, 2020	Changes	
			Amount	%
<b>Revenue</b>	<b>2,196.8</b>	<b>1,853.2</b>	<b>+343.5</b>	<b>+18.5</b>
<b>Domestic</b>	602.8	595.2	+7.6	+1.3
<b>Overseas</b>	1,594.0	1,258.0	+335.9	+26.7
<b>Operating profit</b>	11.2% <b>246.2</b>	9.5% <b>175.3</b>	<b>+70.9</b>	<b>+40.5</b>
<b>Profit attributable to owners of the parent</b>	8.0% <b>175.6</b>	6.9% <b>128.5</b>	<b>+47.1</b>	<b>+36.7</b>

# Outlook for 2022

- Revenue is expected to reach a record high again due to growth in North America.
- Profit is expected to increase slightly despite an increase in revenue. It is because of a lagged positive effect of sales price increase and accelerated R&D activities.

(Unit: billions of yen)	Year ending Dec. 31, 2022 (Forecast)	Year ended Dec. 31, 2021 (Actual)	Changes	
			Amount	%
<b>Revenue</b>	2,450.0	2,196.8	+253.2	+11.5
Domestic	645.0	602.8	+42.2	+7.0
Overseas	1,805.0	1,594.0	+211.0	+13.2
<b>Operating profit</b>	10.2% 250.0	11.2% 246.2	+3.8	+1.5
<b>Profit attributable to owners of the parent</b>	7.3% 178.0	8.0% 175.6	+2.4	+1.3



# Promotion of ESG Management

- Establishing ESG Management Strategy Conference and ESG Promotion Department under the direct control of the President.
- Defining 4 areas and 12 materiality in ESG management.
- Set KPI for each materiality, and gain understanding and empathy through disclosure and dialogue with stakeholders.

## GMB2030

“ ‘Essentials Innovator for Supporting Life,’  
 Committed to a Prosperous Society and Cycle of Nature.”

### Materiality of K-ESG management

#### Solving environmental and social issues through business

- Enhance the productivity and safety of food
- Promote the circulation of water resources and waste
- Improve urban and living environments
- ◆ Mitigation of and adaptation to climate change  
 (Common items / prerequisites for the three items )

#### Drive·Support

##### Accelerating innovation to solve problems

- Business operations based on diverse values
- Strengthening R&D and partnerships.

##### Stakeholder empathy and participation

- Improvement of employee growth and job satisfaction
- Customer satisfaction and safety
- Enhancement of transparency and dialogue

##### Building governance to enhance sustainability

- Strengthening of corporate governance
- Penetration and practice of K-ESG management
- Strengthening of risk management

# Promotion of ESG Management

Items	Status of Promotion
<b>E:</b> Environment	<ul style="list-style-type: none"> <li>● Set of Environmental Vision</li> <li>● Establishment of Carbon Neutral Promotion Department</li> <li>● Promotion of conversion of cupolas to electric furnaces</li> <li>● Selected as a Zero Emission Challenge Company</li> <li>● Promotion of TCFD compliance</li> </ul> 
<b>S:</b> Society + <b>Stakeholders*</b>	<ul style="list-style-type: none"> <li>● Implementation of measures to improve employee growth and job satisfaction (workstyle reforms, talent development, etc.)</li> <li>● Strengthening partnerships with society (Academic-industrial collaboration with the University of Tokyo, Learning farming at Hokkaido Ballpark, and Supporting new farmers)</li> </ul>
<b>G:</b> Governance	<ul style="list-style-type: none"> <li>● Promotion of diversity of management team (Gender, Nationality)</li> <li>● Recruiting presidents of overseas subsidiaries from local source</li> <li>● Penetration of management policies through dialogue between management and employees</li> <li>● Adding of ESG factors for evaluation of officer</li> <li>● Improving the effectiveness of the meetings of Board of Directors by evaluation questionnaires</li> </ul>

\* "S" in K-ESG means "society" as well as "all of stakeholders"

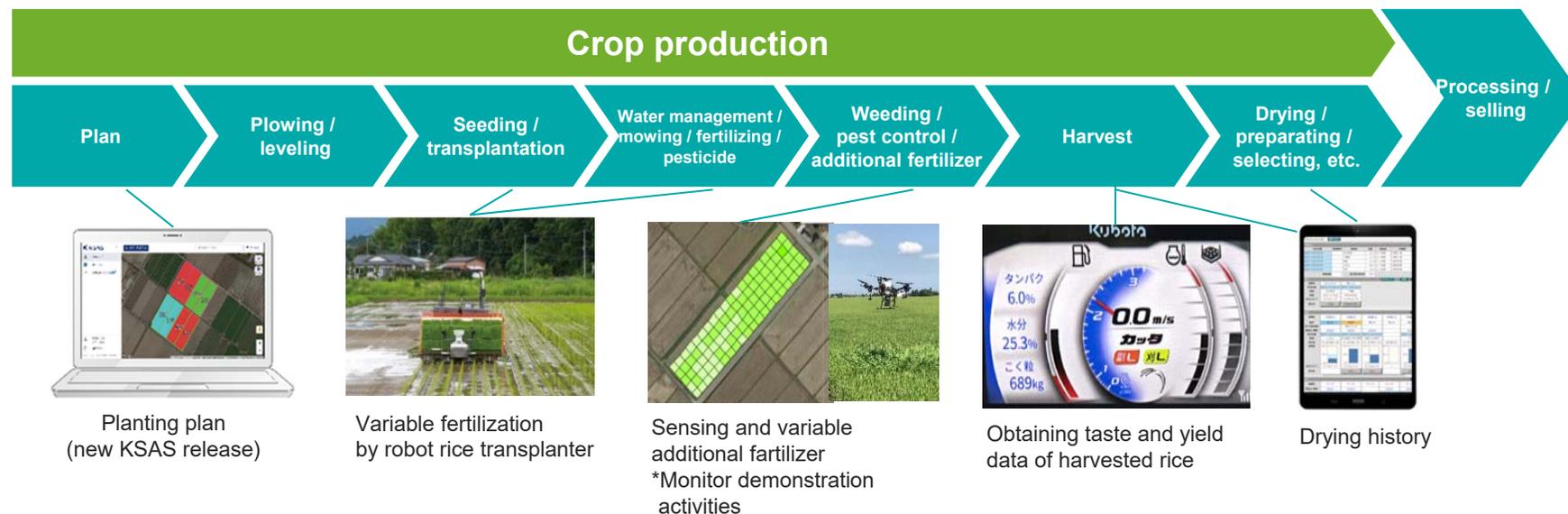
# Establishment of the foundation for realizing GMB 2030 that supports the next generation

## Solutions to enhance the productivity and safety of food

### Efforts to realize smart agriculture

#### Expansion and evolution of KSAS

- Opening KSAS (data linkage with systems and applications provided by other companies)
- Adjustment of fertilizer volume by planning based on yield and other data



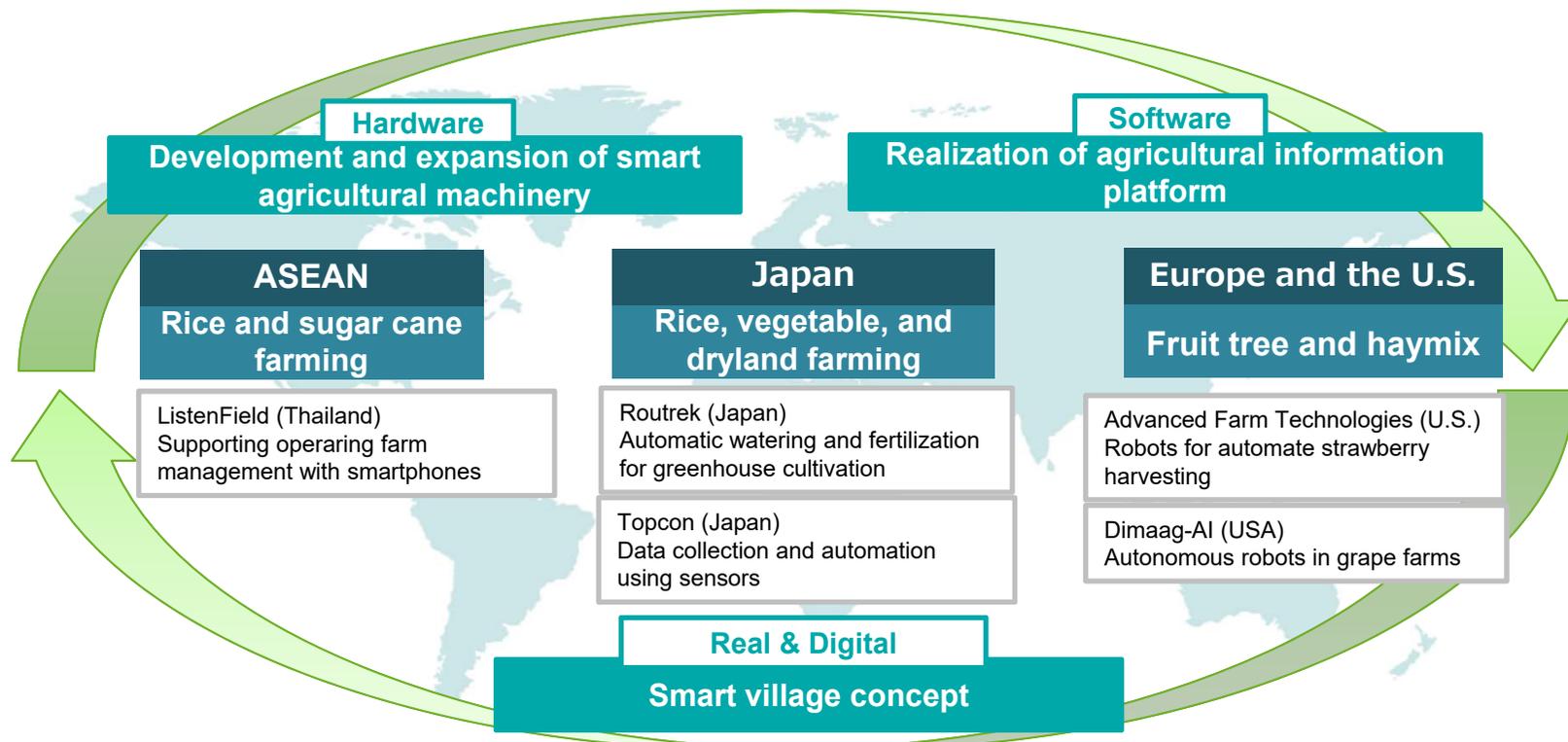
# Establishment of the foundation for realizing GMB 2030 that supports the next generation

## Solutions to enhance the productivity and safety of food

### Efforts to realize smart agriculture

#### Setting Grand Design

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

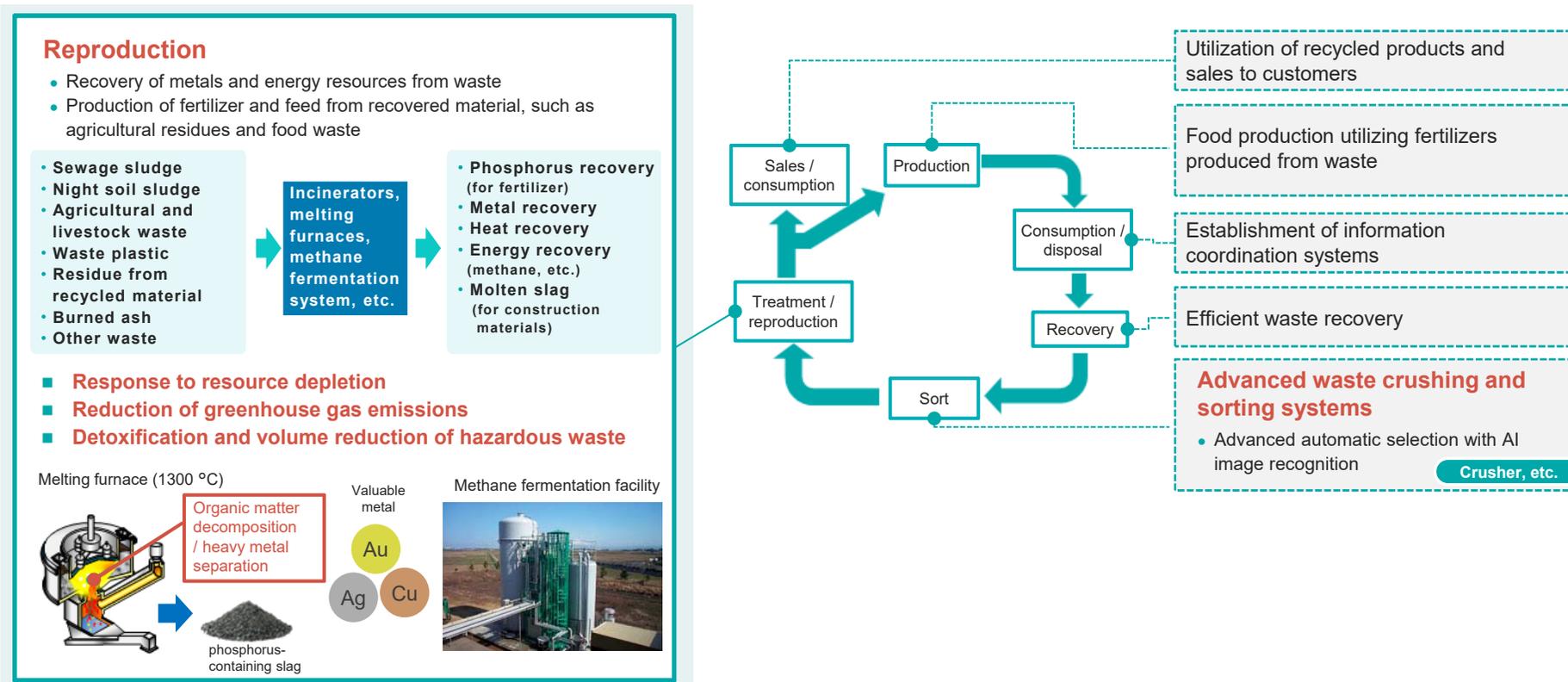


# Establishment of the foundation for realizing GMB 2030 that supports the next generation

## Solutions to promote the circulation of water resources and waste

### Efforts to build a resource circulation business model

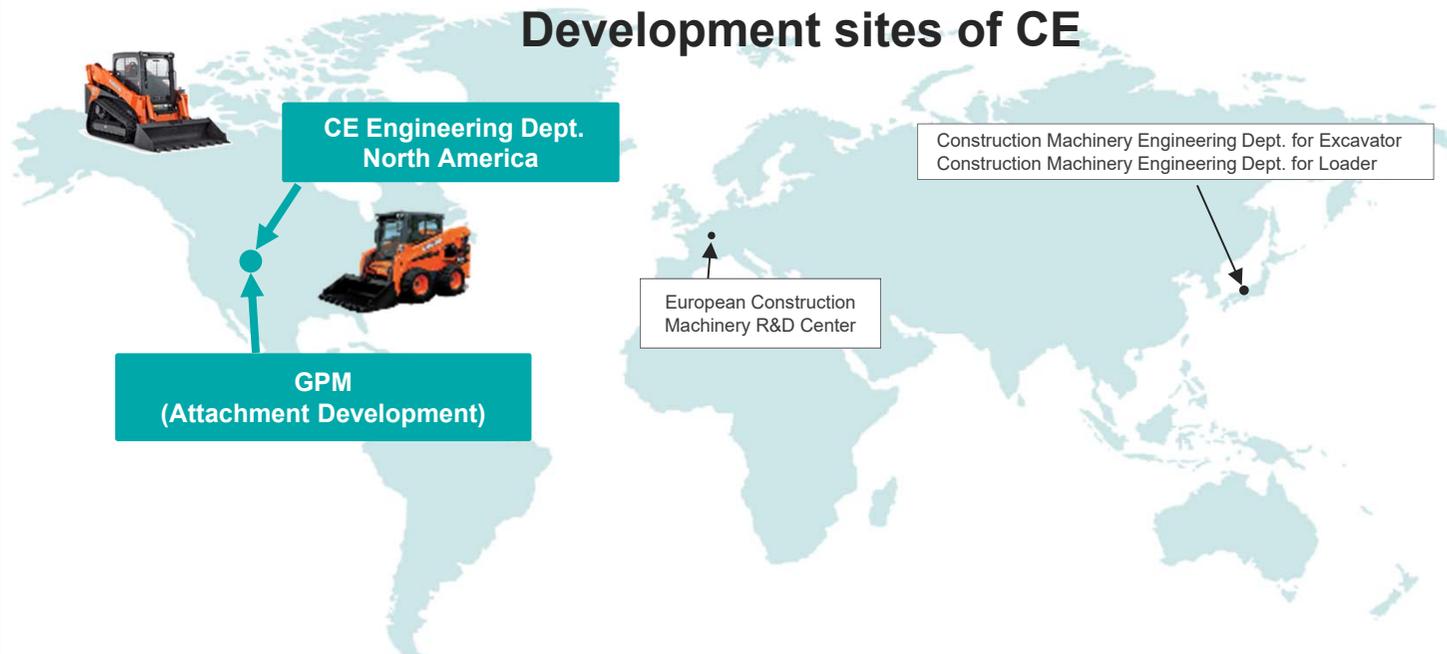
- Investment in a leading waste treatment company in resource circulation field
- Launching a project team to realize resource circulation by utilizing Kubota's technology
- Initiatives for effective use of agricultural organic waste



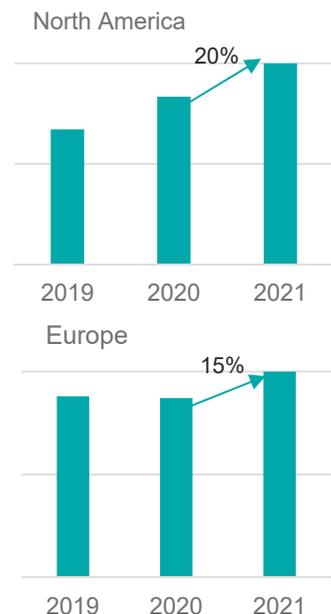
## CE business in North America

**Aiming for a significant increase in market share by expanding product lineup and locally integrated operations of development, production, and sales**

- Building local development structure by establishment of CE Engineering Dept. North America and planning further expansion
- Promoting development of new CTL models led by CE Engineering Dept. North America
- Promoting development of implement (Smart Attachment) linked with machinery
- Steady progress of start up of CTL production in North America in the second half of 2022



Number of retail sales



## Farm & Industrial Machinery business in ASEAN

**Aiming for a further increase in sales of farm equipment and CE along with urbanization**

- Local development of implement for various agricultural operations, mainly for dryland farming
- Introduction of mini excavators (3T) to meet needs in Thailand
- Strengthening collaboration among KRDA (R&D), SKC (manufacturing and sales), and Kubota Farm (demonstration and training)

### Implement for dryland farming developed locally

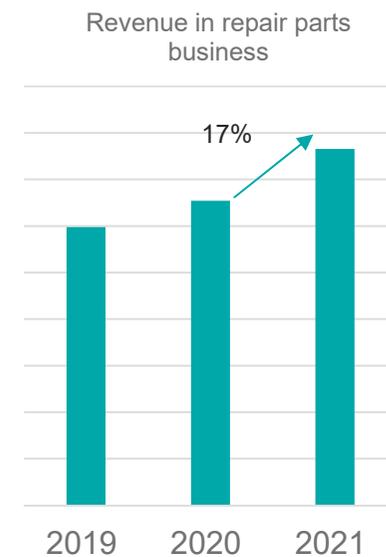


## After-market business of Farm & Industrial Machinery

**Aiming to expand "after-sales business" by utilizing abundant operating machineries on a global level**

- Widening commercial product lineup through alliance with aftermarket companies in Japan and Europe
- Initiation of experiment of operation data collection by construction machinery telematics in Japan.
- Completion of the European Central Parts Center in 2022 (establishment of 3 pillars for repair parts supply, Japan, North America, and Europe)

### Establishment of global parts supply structure



## Water & Environmental solutions business

Along with the labor shortages in local governments and aging infrastructure, aiming to shift from equipment sales-oriented business to O&M- and solution-oriented business by utilizing IoT and other technologies

### Establishment of structure

- Enhancement of cooperation among business units led by Water & Environmental Solutions Developing and Sales Department
- Strengthening of cooperation by integrating group companies into Tokyo headquarter

### Expansion of environmental O&M and pipeline solutions businesses

- Water Supply Pump Project: Sagamihara city DBM system
- Pipeline Development Project: Osaka wide area DB system
- Joint Water Treatment Plant Project: Naruto City DB system

### Utilization of IoT technology

- Automatic control of paddy water level by KSIS and WATARAS (related to smart agriculture)

## (New) Expansion of India Machinery business and entry into the basic market

**Leveraging synergies with Escorts, aiming to increase market share in India, which is the largest tractor market in the world, and expand business globally by exporting basic machinery**

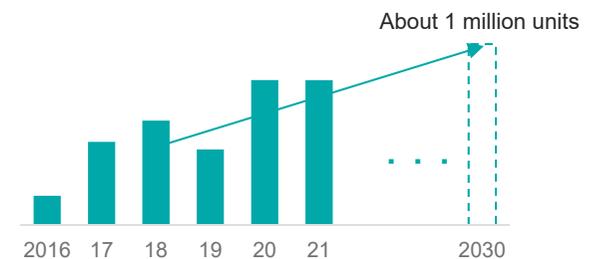
### Synergies with Escotes

R&D	<ul style="list-style-type: none"> <li>Combining Escotes' cost-cutting philosophy with Kubota's technology</li> <li>Promoteing Kubota product development by utilizing Escotes R&amp;D resources</li> </ul>
Manufacturing • Procurement	<ul style="list-style-type: none"> <li>Introducing Kubota Production System (KPS) to improve the level of manufacturing</li> <li>Adupting low-cost and high-quality parts widely by utilizing India's procurement network and supplying to other Kubota manufacturing sites</li> </ul>
Sales	<ul style="list-style-type: none"> <li>Enhancing market coverage ratio by effectively combining mutual sales networks and product lineup</li> </ul>

### Business Expansion Policy

- Increasing share of the tractor market in India
- Expanding basic machinery exports
- Studying development and manufacture of basic machinery products in India (Including combine harvesters and construction machinery etc)

Tractor market in India



## Improvement of profit margin

- Kubota aims to generate a net increase in profit of ¥50.0 billion (compared to FY2019) in 2025 and achieve both securement of investment resources and improvement in profitability.
- Steady progress of growth in profitable margin business due to expansion in overseas repair parts business
- Kubota is also working on other measures. The effects will become apparent in the last half of Mid-term Business Plan.

Steady growth in profitable business

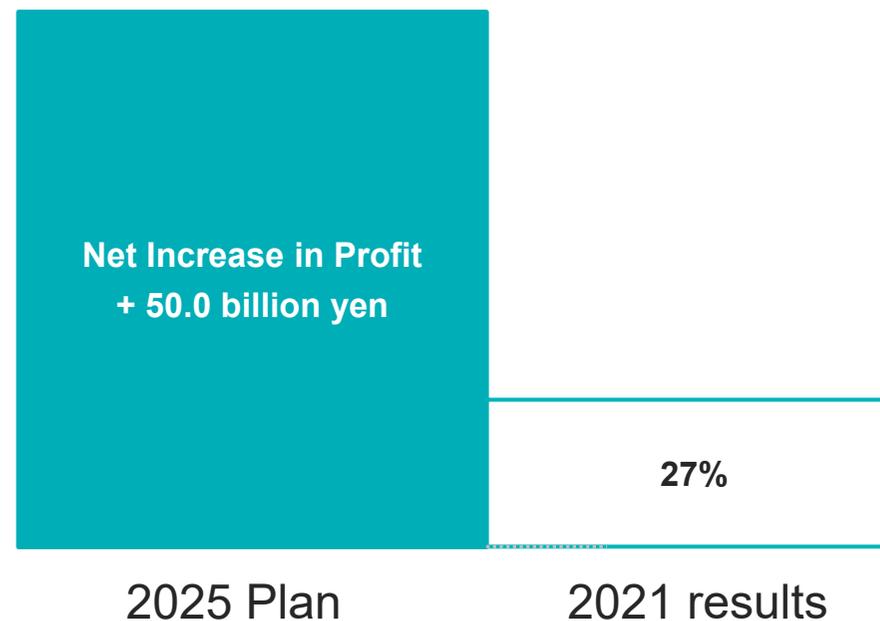
(Expanding repair parts business and O&M business)

Establishment of a profitable structure

(Reduction of material, logistics, and fixed costs, promotion of investment effects, etc)

Streamlining business operations thoroughly

(Improvement of productivity by fundamental reform of operations through utilizing DX and others)



## Promotion of DX as a common theme

Completion of developing the DX platform, which serves as the management foundation, by deploying regional cloud platforms worldwide. In 2021, Registered as a DX Certified Business Operator by the Ministry of Economy, Trade and Industry. Alliance with Microsoft and Accenture

### Innovation in products, services, and production sites



- Diagnosis of ductile iron pipes by utilizing AI
- Early identification of repair service points by AI data analysis of defect information
- Enhancing communication with customers by utilizing customer management systems
- Start of AI image inspection in manufacturing inspection process
- Digitization of skills in production sites by analyzing workers' perspectives
- Vehicle management by construction machinery telematics

### Innovation in business processes

- Reduction and efficiency of office work through process automation
- Accelerating data utilization across departments, such as quality assurance, procurement, service, and logistics, through the DX platform

### Innovation in communications and collaborations

- Promoting communication with external parties by using video (online events, etc.)
- Enhancement of interdepartmental communication through internal SNS and two-way communication between management and employees

## Development of infrastructure that supports sustainable growth

### Reform of the business management system

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#### Transforming operation structure in response to globalization

- Promotion of local production for local consumption at manufacturing sites
- Consider two-site production from the viewpoint of risk management
- Enhancement of consolidated performance management reports

### Initiatives to secure and strengthen human resources

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#### Aiming to strengthen human resources who support sustainable growth by strengthening recruitment and cultivation, as well as providing opportunities

- Strengthen human resources by expanding employment of new graduates and careers
- Promotion of the right person in the right place by expanding employment fields by job type
- Improving employee skills through on-demand education and business skills training
- Start of development of human resources who can lead DX

# Development of infrastructure that supports sustainable growth

## Strengthening Risk Management

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Aiming to develop and expand organization that can develop countermeasures more actively in response to various risks

### BCP

- Implementation of disaster countermeasure construction
- Formulation of a draft policy to stabilize procurement  
(Short-term: inventory holding, mid- to long-term: procurement from multiple countries and multiple suppliers)

### Compliance

- Shift of the concept of risk management from rule-based to risk-based approach
- Promotion of risk diversification through risk financing

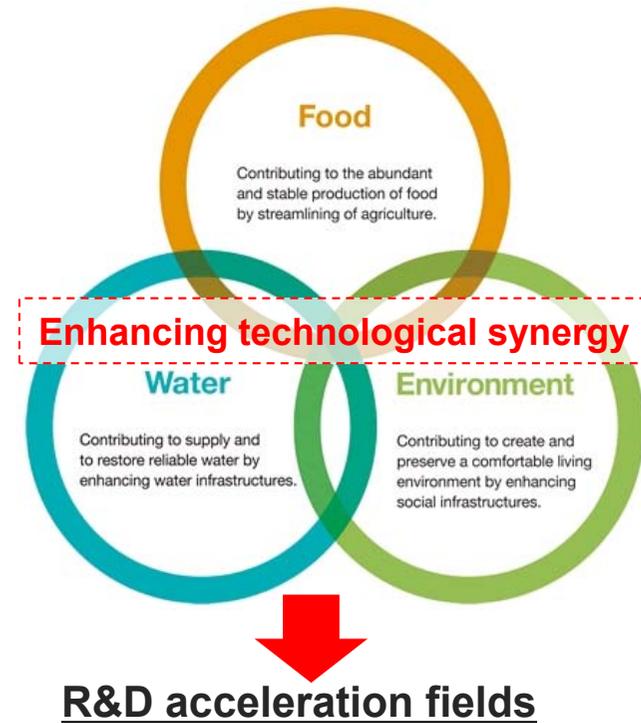
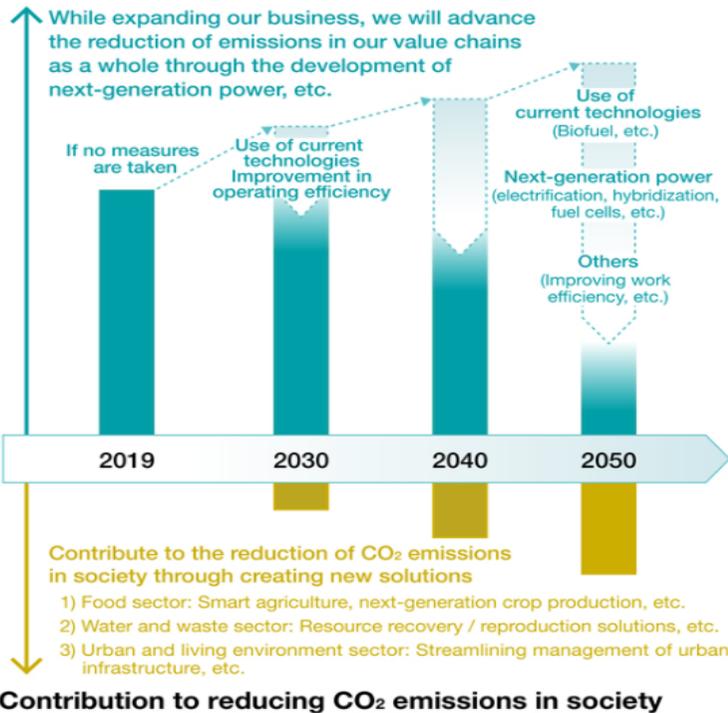
### Cyber

- Strengthening security measures at the global level
- Enhancing global security governance by building regional IT control structures

# Accelerating R&D in response to changes in business environment

- Kubota plans R&D of ¥400.0 billion in total for 5 years in Mid-term Business Plan
- Investing in an additional budget of ¥100.0 billion to enhance and accelerate R&D in priority fields in a view of a carbon neutral society.

## In-house CO<sub>2</sub> emission control



**Powertrain decarbonization technology**  
**Smart/Autonomous Technology (Automatic)**  
**Resource circulation technology**

# Accelerating R&D in Response to Changes in Business Environment

## Powertrain decarbonization technology

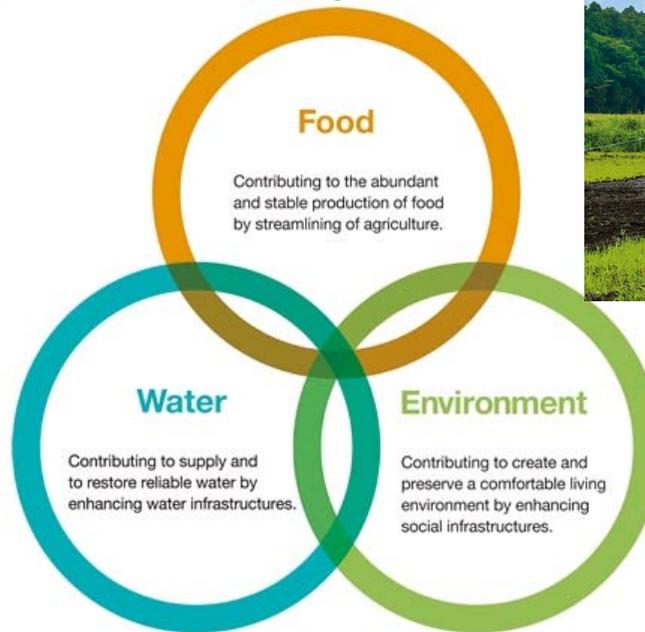


- HV
- BEV
- FCV
- Hydrogen engine
- Engine for decarbonized fuel
- CO<sub>2</sub> recovery from exhaust gas

## Smart Autonomous Technology



- Autonomous unmanned operation
- Cooperated operation
- Data-driven agriculture



## Resource recycling technology



Municipal and industrial waste



Biomass (rice straw, etc.)



Rare metal



Bio-charcoal and carbon fixation

- Recovery of resources and energy from urban mines
- Recovery of resources and energy from biomass and agricultural residues
- Carbon fixation and negative emissions
- Water resource circulation
- Recovery and reuse of CO<sub>2</sub>

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## 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.

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