

Kubota Corporation

Medium-term Business Plan Briefing

February 13, 2026

Event Summary

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Presentation

Agenda

1. Mid-Term Business Plan 2030 Outline
2. Mid-Term Business Plan 2025 Review
3. Mid-Term Business Plan 2030 Roadmap to "Evolution"
 - (1) Selection and concentration of management resources
 - (2) Strategic financial management with a focus on the balance sheet
 - (3) A robust global foundation to support future growth

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Hanada: Good morning, everyone. Thank you for taking time out of your busy schedule to join us today. I am Hanada, President and Representative Director and CEO of Kubota.

I am now pleased to announce Kubota's new mid-term business plan 2030.

Today's explanation consists of three major parts. First of all, I would like to explain the outline of the new mid-term business plan 2030. Next, I will review the previous mid-term business plan 2025. Thirdly, it will be the key theme of this presentation, I will talk about a specific roadmap to realize the mid-term plan 2030 Focus & Breakthrough, which I will explain step by step.

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1. Mid-Term Business Plan 2030 Outline (1)

Redefine the core of our business and clarify out mission for the future

While continuing and deepening our philosophy of contributing to the fields of "food, water, and the environment" since our founding, and maintaining our long-term vision as an "Essentials Innovator for Supporting Life." By setting a new slogan for each business, we will clarify the direction we should take as we strive for further growth.

<p>Machinery Business</p> <p style="text-align: center; color: #e67e22; font-weight: bold; font-size: 1.2em;">"Big Work with Smaller Machines"</p> <p style="font-size: 0.9em;">We achieve overwhelming results that surpass size with advanced technology. We solve our customers' issues with our unique solutions that have honed our strengths and support the world's food production and social infrastructure.</p>	<p>Water & Environment Business</p> <p style="text-align: center; color: #e67e22; font-weight: bold; font-size: 1.2em;">"To contribute to the building of resilient social infrastructure through solutions centered on products and technology"</p> <p style="font-size: 0.9em;">We protect people's lives and industries through safe water supply and resource circulation. We will respond to aging infrastructure and environmental issues through public-private partnerships (PPP) and new technologies to realize a sustainable society.</p>
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The two major concepts of the new mid-term business plan 2030, which begins this year, are as follows. First, as described on page four, we have redefined the direction in which we as a company aim to take our business.

For the first time, we have created slogans for the machinery business and the water & environment business, each of which has its own unique business characteristics. The slogan of the machinery business is big work with smaller machines. The slogan of the water environment business is, to contribute to the building of resilient social infrastructure through solutions centered on products and technology.

Each business will follow these slogans and develop its business, and as a result, we will achieve the companywide long-term vision set forth in the GMB, which is to become an Essential Innovator for Supporting Life.

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1. Mid-Term Business Plan 2030 Outline (2)

Breaking away from the emphasis on quantity and evolving to "corporate value management"

Based on the results and challenges of the previous Mid-Term plan, Kubota has entered a new stage of management. **"Focus & Breakthrough": Break the past success and break through elevating corporate value to a higher level through the three Focuses, and aim to maximize sustainable corporate value.**



1. Concentration:
Selection and concentration of management resources

Breaking away from an all-round strategy, we invest our management resources into "growth-driving businesses" where our strengths can thrive in the essential areas of food, water, and the environment. The businesses facing profitability challenges will undergo structural reforms.



2. Financial Discipline:
Strategic financial management with a focus on the balance sheet

We prioritize free cash flow and capital efficiency over sales and profits, aiming to achieve a qualitative improvement in management.



3. Global Foundation:
A robust global foundation to support future growth

We establish an agile organization and governance system appropriate to the scale of our business. We will strengthen a resilient supply chain, human resources and corporate culture that encourage challenges, and DX (digital transformation) foundation that supports them.

Second, as summarized on this page, we will significantly enhance our corporate value by focusing on three areas: selection and concentration of management resources, strategic financial management with a focus on the balance sheet, and a robust global foundation to support future growth. Through these three focuses, we will fundamentally change the way we do business. This is the core concept of the mid-term business plan 2030.

Based on this overall concept, we have named our approach to change Focus & Breakthrough, and this is the core message we will emphasize throughout the mid-term business plan.

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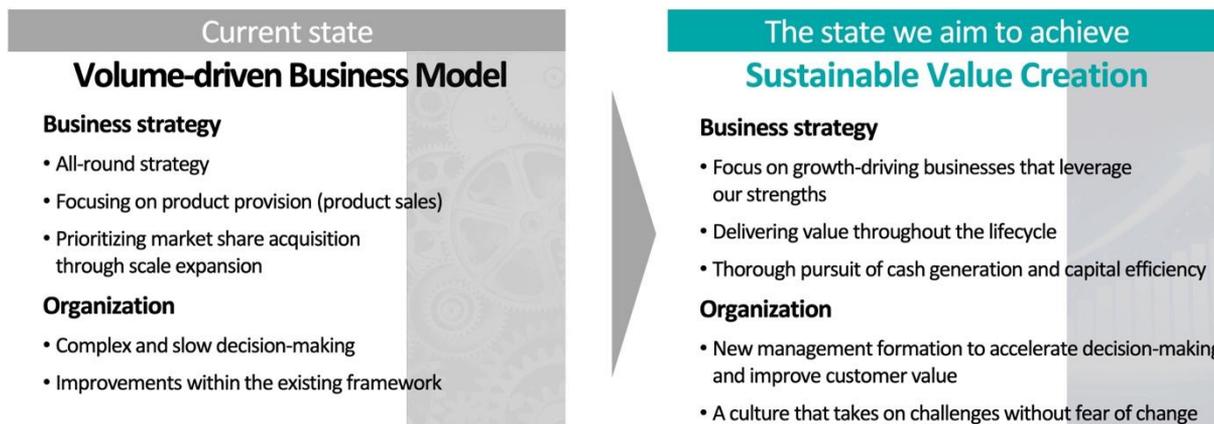
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2. Review of the Mid-Term Business Plan 2025

Gap with the state we aim to achieve ①: The stagnation of a volume-driven business model

The previous volume-driven growth model hindered the realization of the vision we aim for. We are facing the need to transform the way we do business from the pursuit of volume to the creation of value.



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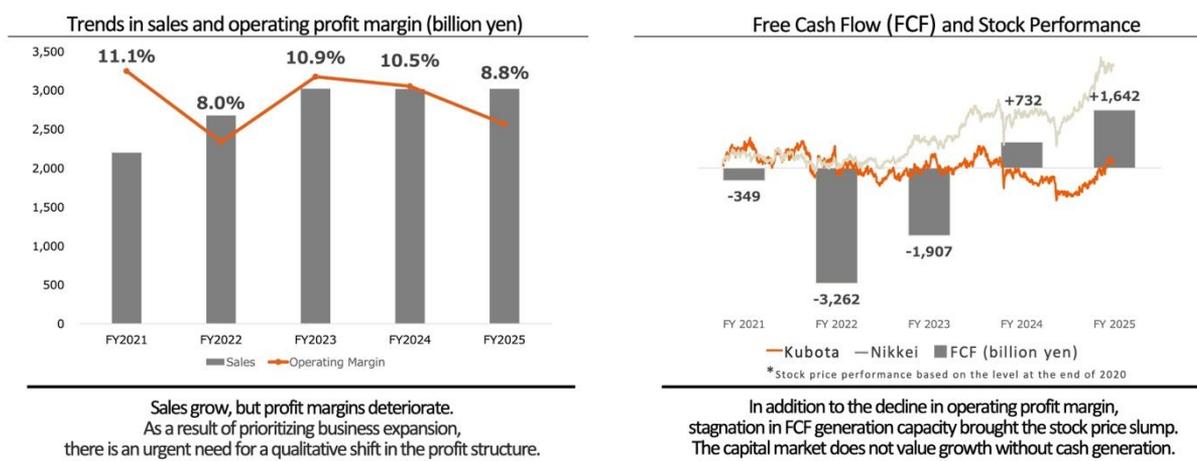
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Now, I would like to briefly review the current mid-term business plan 2025 in terms of the gap between the plan and the desired vision. As summarized on page seven, we have taken a volume-driven growth model. While we should recognize the significant growth in our business as a result of these efforts, we believe it is a point of reflection that a gap has emerged between our ideal of sustainable corporate value creation and our actual performance.

2. Review of the Mid-Term Business Plan 2025

Gap from the state we aim to achieve ②: Stagnation of corporate value due to declining management efficiency

Although the volume-driven strategy contributed to the expansion of our business foundation, it also led to stagnation in profitability and free cash flow, ultimately becoming a constraint on enhancing corporate value.



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As a result, as shown on page eight, our operating margin deteriorated, which had a significant impact, and we were unable to generate sufficient free cash flow, and our stock price remained weak.

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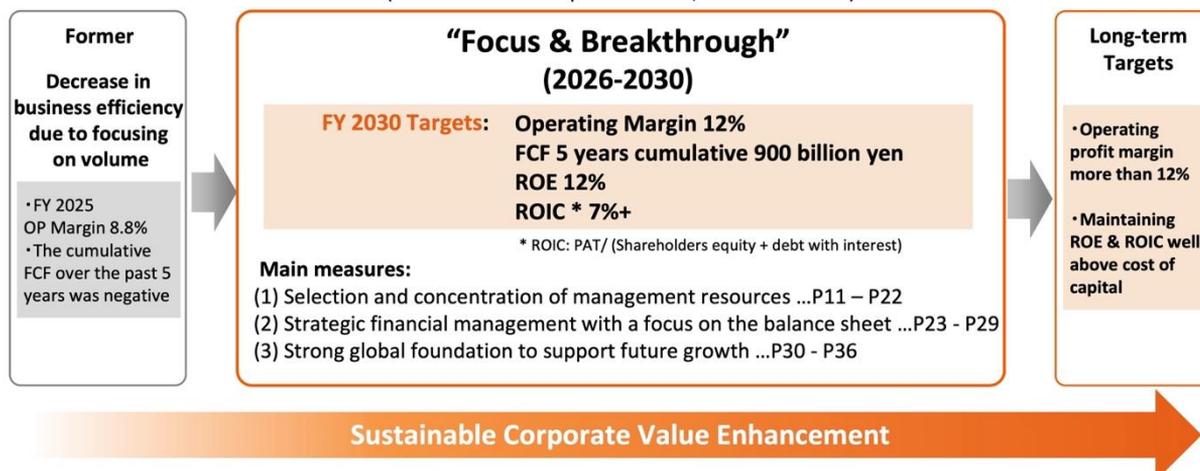
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3. Mid-Term Business Plan 2030

Roadmap to Evolution: Implementing “Focus & Breakthrough”

We have positioned the five years leading up to 2030 as a "Focus & Breakthrough" period, during which we will implement qualitative improvements to our management. We will strategically expand our business while improving efficiency, and achieve sustainable growth in corporate value. We aim to achieve ROE and ROIC that consistently exceed our cost of capital*. (Assumed cost of capital is 7-10%, WACC is 5-6.5%)



Based on these reflections, we have summarized the roadmap of the medium-term business plan 2030 on page 10. Through the Focus & Breakthrough mentioned earlier, we have started to work toward our goals of achieving an operating margin of 12%, free cash flow generation of JPY900 billion over five years, ROE of 12%, and ROIC of 7% or more by 2030.

To achieve this, we will take the three measures described above: selection and concentration of management resources, strategic financial management with an awareness of the balance sheet, and a strong global foundation to support future growth. I would now like to explain these three measures and focuses on detail.

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3. Mid-Term Business Plan 2030

(1) Selection and concentration of management resources

Dynamic transformation of business portfolio with "Focus & Breakthrough"

We will clearly classify our business portfolio into **Growth Driver**, **Rebuilding the Core** and **Structural Reform**, and dynamically reallocate the resources we create to growth areas.

■ Growth Driver

Seize market tailwinds and accelerate business expansion

(1) Construction Machinery Business

North America Infrastructure & Housing / Expanding Lineup

CAGR: +8.2%
(Market CAGR: +4.0%)



(2) Business & Projects from India

Largest Market Deep Cultivation / Global Hub

CAGR: +9.4%
(Market CAGR: +2.7%)



(3) Lifecycle Support Business*

Stable Earnings Base / Long-term Relationships

CAGR: +6.8%

* Comprehensive servicing business such as spare parts and after care through product life cycle





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■ Rebuilding the Core

Renovate the profit structure of core businesses and shift to sustainable growth

(4) North American Tractor: the Largest and Most Important Market

Ensuring Cost Competitiveness / Review of Business Operations

CAGR: +4.6% (Market CAGR: +2.5%)



(5) Water and Environment Business

Public-Private Partnership / Responding to Aging Infrastructure

CAGR: +5.7% (Market CAGR: +2.0%)



■ Structural Reform

Strategically restructure to concentrate resources on essential areas

(6) European Agricultural Machinery

Shift to Profit-oriented/ Review Unprofitable Operations

CAGR: +2.0% (Market CAGR: +0.8%)



(7) Domestic Agricultural Machinery

Streamlining the System/Smart Agricultural Machinery & High Added Value/Service & Maintenance

CAGR: +1.0% (Market CAGR: +0.5%)



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First are the selection and concentration of management resources. An overview is provided on page 12. We will clearly classify our business portfolio into growth driver, rebuilding the core, and structural reform, and dynamically reallocate the resources we create from the latter to growth areas.

As you can see, we are aiming for high business CAGR in three areas that we consider having high market growth rates: construction machinery business, business & projects in India, and lifecycle support business. To support this growth, Kubota will seek to renew its profit structure and achieve sustainable growth by rebuilding the value of its core, North American tractor and the water & environment business. In addition, we will support the strengthening of the entire company's structure by embarking on major structural reforms for the European agricultural machinery business and the domestic agricultural machinery business.

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3. Mid-Term Business Plan 2030

(1) Selection and concentration of management resources

① Construction Machinery Business: Capturing structural demand in North America and evolving

We will evolve from an equipment seller to a lifecycle partner, overcome short-term market fluctuations, and steadily capture medium- to long-term demand driven by population growth and infrastructure investment.

Market Outlook

- **Structural tailwinds for the North American market**

The North American market has strong demand for housing and infrastructure due to population growth. In addition, there is a background of tight housing supply and falling interest rates. Investment in the social structure, such as the construction of data centers and the development of power infrastructure due to the spread of AI continues. The market outlook is very resilient.

- **Structural tailwinds in Europe and Asia**

In Europe, aging roads, bridges and railways are being renovated, and demand for infrastructure redevelopment is strong, especially in Western Europe. In Southeast Asia and India, urbanization is progressing, and road, railway and port construction are active.

Key Strategies

1. **Expanding product lineup**

- The new CTL will be launched on the market in FY2026 to develop new markets that have not yet entered.
- Expand a variety of attachments to meet customer needs and promote in-house production.

2. **Differentiation by technology**

- Accelerate the development of ICT construction machinery and contribute to the efficiency and labor saving of construction.

3. **Deep cultivation of the market**

- Strengthen sales expansion in the rental market, where stable demand is expected.

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I would like to look at them briefly one at a time. First is the construction machinery business. The North American market, which is expected to grow steadily, will continue to be the center of our business, but we also expect growth in Europe and Asia.

Against this backdrop, we believe we can further expand our product lineup to capture market share from competitors, and lead smart construction machinery in the compact segment, thereby stimulating new demand.

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3. Mid-Term Business Plan 2030

(1) Selection and concentration of management resources

② Business and Project from India: Turning India, the world's growth center, into Kubota's growth engine

While aiming to capture high-growth markets, we will leverage India as a global hub for R&D, procurement and production, and improve the cost competitiveness of the entire group and strengthen our supply chain.

Opportunity: Structural growth

Strong economic growth

Real GDP growth in the first half of fiscal 2025 was recorded at 8%. Solid domestic demand supports the business environment.

The world's largest tractor market

With the development of the economy and the increasing mechanization of agriculture, the Indian market is expected to continue to expand.

Expansion of the basic market in the global market

In Europe, demand for basic models is gradually expanding. In Africa, Latin America and other countries, the rate of agricultural mechanization is low, and government subsidies and international aid are expected to boost the basic tractor market.



Key Strategies

Strengthening cost competitiveness

Introducing new products under the Kubota brand with excellent cost competitiveness, utilizing the R&D, manufacturing, and procurement resources of Escorts Kubota.

Improving quality and productivity

Improve costs and product quality by utilizing Escorts Kubota and Kubota's know-how. Furthermore, improve productivity by introducing the Kubota Production System (KPS) and build a foundation for the future development of high-value-added services (data, maintenance).

Expanding product lineup

Deepen the Indian market by expanding the lineup of each of our three brands: Farmtrac, Powertrac and Kubota, and reorganizing and strengthening our sales channels.

The second is projects from India. Since acquiring Escorts three years ago, we have addressed a variety of issues in PMI. Expanding our business in India, the world's largest and growing tractor market, is itself our growth strategy, and we will further invest Kubota's resources in development, procurement, manufacturing, and sales to elevate our business in the country.

At the same time, as reflected in the name business & projects from India, we position Escorts Kubota as a manufacturing and procurement base for basic products for overseas markets. By leveraging existing products and development resources as much as possible, we have made a major shift to enable early overseas expansion.

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3. Mid-Term Business Plan 2030

(1) Selection and concentration of management resources

③ Lifecycle Support Business: Deepening the business foundation by maximizing customer value

We will deepen our relationships with customers throughout the product lifecycle and strengthen the sources of "Customer Value," "Customer Choice," and "Competitive Advantage."



1. The Source of Customer Value: Increasing customer loyalty and building long-term relationships

- Predictive maintenance and remote diagnostic support using telematics **maximize the uptime of customers' machines.**
- Service programs such as extended warranties and maintenance contracts **minimize TCO (total cost of ownership).**



2. The Source of Customer Choice: Strengthening expansion strategy in the parts business

- Pricing strategy: Maximize revenue through strategic pricing (sharp balance of consumables and functional parts) with a focus on market competitiveness.
- Product strategy: Expand our lineup of K3R (Kubota's second brand of genuine parts) and locally adopted parts to meet all customer needs.
- Sales channel strategy: Develop omnichannel that combines dealers (real) and online (e-commerce marketplaces).



3. The Source of Competitive Advantage: Strengthen the business foundation

- Parts SCM: Streamline the global parts supply network to achieve timely supply to customers and cost advantages.
- System/DX: Integrate parts information infrastructure globally and promote demand forecasting accuracy and operational efficiency through the use of AI and IoT.

The third point is a parts business. We have positioned this as lifecycle support business. It is a stock business that allows us to maintain continuous contact with customers, support our products throughout their lifecycle, and generate stable profits. By strengthening this area, we will not only contribute to the expansion of the maintenance business in Japan, as described below, but also increase sales overseas, where there is still significant room for growth, thereby strengthening the management base of dealers and Kubota.

So far, I have talked about growth driver businesses.

3. Mid-Term Business Plan 2030

(1) Selection and concentration of management resources

④ North American Tractor: Fundamental reform of the compact tractor, mower and UV business

In addition to strengthening the added value of highly competitive M-type (utility) tractors, we will strengthen our competitiveness in the compact tractor, mower and UVs and aim to strengthen our business viability in the largest and most important markets.

- Recognition of Issues**
- Intensifying price competition due to the rise of Asian brands
 - Pressure on profitability by rising costs due to inflation and high interest rates and delays in product introduction

Shifting from a market share-driven policy to a profitability-driven policy

Aim to achieve sustainable profit growth in North American business

Key Initiatives Four strategic pillars



(1) Restructuring product and cost competitiveness

- Introduce new products with high market needs early.
- Improve cost competitiveness by promoting GIT* projects and utilizing resources in India.
- Optimize product portfolio by improving profitability and reducing the type of unprofitable model. *GIT (Global Innovative Tractor)



(2) Reduction of working capital

- Promote area SCM through S&OP optimization.
- Reduce North American product inventory months by 30% by 2030.



(3) Reviewing of incentive programs

- From long-term 0% financing to short-term 0% and long-term financing with interest.
- Shift to a business model that does not heavily rely on retail finance.



(4) Building a foundation for future growth

- Consider the solution business (smart garden management, etc.) for business customers (Prosumer).

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Next is rebuilding the core portfolio. The first will be the North American tractor business. Needless to say, compact tractors in North America have been an important business that has supported the backbone of Kubota. In response to the full-scale entry of Asian competitors into this market, we have at times pushed too hard to maintain our market share.

We will review the way we operate this business. And we will no longer pursue market share at any cost. The compact tractor, mower and utility vehicle business in North America has been effective in strengthening our dealer network, but we recognize that there have been profitability challenges.

In order to fundamentally reform this business, we will take courage to implement the measures described.

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3. Mid-Term Business Plan 2030

(1) Selection and concentration of management resources

⑤ Water and Environment Business: Contributing to social infrastructure and expanding growth areas

**With total solutions centered on products and technologies,
we aim to be a top player in the domestic water and environment market.**

Strengthening of Fundamental Businesses

- Improve profit margins in the O&M business (improving productivity through centralized monitoring and DX utilization)
- Improve profitability in the pipeline products business (price optimization and efficiency)
- Capture growth in the global petrochemical market and expand the cracking tube business by differentiating

Four Key Growth Drivers



1. Water Circulation Solutions

Leveraging the advantages of pipelines and facilities, we are developing the PPP (public-private partnership) market. **Built the de facto standard** for water pipeline systems.



2. Resource Circulation Business

With melting technology at its core, **we will enter new markets such as waste treatment PPP** and PFAS support.



3. Water and Environment Overseas

We are rebuilding the portfolio by focusing resources on key regions (North America, ASEAN) and products.



4. Carbon Neutrality

Utilizing existing technologies, **we will advance into new fields** such as **hydrogen production** and **battery anode materials**.

The second is the water & environment business.

Ahead of the companywide organizational restructuring, we will convert this business into an internal company from January 2025 and strengthen the three fundamental businesses as described. In addition, by taking a different approach from the machinery business in the four areas of water circulation solutions, resource circulation business, water and environment overseas, and carbon neutrality, we will accelerate growth with greater speed. We believe our role will further expand in contributing to the government's National Land Resilience Plan.

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3. Mid-Term Business Plan 2030

(1) Selection and concentration of management resources

⑥ European Agricultural Machinery: Return to strengths (selection and concentration)

We will improve profitability by abandoning the "volume-driven" approach in our large-scale upland farming business and controlling it to an appropriate scale. At the same time, we will improve our overall business portfolio by reallocating resources to strategic areas for the future, such as concentrating sales resources in highly profitable areas and consolidating models.

- Recognition of Issues**
- Competition of a machine aimed at labor-saving and sales networks is accelerating
 - The rise of low-cost Indian models is shaking the position in the compact tractor business

We will break away from full line-up principle and self-reliance principle, and strive to improve investment efficiency by controlling input resources and fixed costs.

Key Initiatives Three strategic pillars



(1) Restructuring product and cost competitiveness

- Expand narrow tractor sales in the specialty crop market.



(2) Optimization of production and supply systems

- Reduce fixed costs significantly through bold review of reassembly and logistics.



(3) Building a foundation for future growth

- Recover lost ground without sacrificing profitability through the introduction of Escorts Kubota tractors in India.

The last one is structural reform portfolio. The first one is the European agricultural machinery business. In the large-scale agricultural machinery business, which we have focused on over the past 10 years, we will abandon the policy of pursuing maximum volume and control the business at an appropriate scale.

On the other hand, we will improve our overall portfolio by allocating resources to the specialty crop market, particularly fruit and nut growers where we are highly competitive, and to the compact tractor market where we can fully leverage EL tractors.

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3. Mid-Term Business Plan 2030

(1) Selection and concentration of management resources

⑦ Domestic Agricultural Machinery: Establishing a profit base through business structure reform "Supporting the people who support agriculture continuously"

In response to structural changes in the market — such as maintaining production volume and the declining number of agricultural workers — we will shift our business model to the aftermarket and solutions as core revenue pillars in addition to product sales.

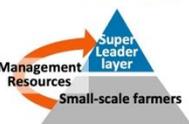
Basic Strategy: Based on the premise of market contraction, we will implement **Business Portfolio Transformation, Business Model Transformation and New Value Creation.**

1. Business Portfolio Transformation

- **Expansion of maintenance business**
Turn the aftermarket into the largest growth area.



- **Strengthening the ability of leaders to respond concentrate management resources on SP leaders**
Improve profitability with smart agricultural equipment and KSAS solutions. Thoroughly rationalize for small farmers.



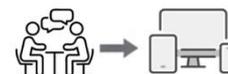
- **Expansion of Smart Agricultural Machinery Business**
With smart agricultural machinery and KSAS solutions, enhance profitability by increasing customer value.



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2. Business Model Transformation

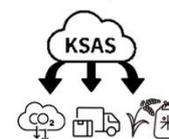
Shift from the traditional door-to-door and product sales type to a solution proposal type using digital technology.



3. New Value Creation (Data Monetization)

Utilizing KSAS's big data (50% coverage target of farmland nationwide), we monetize new businesses such as J-credit* creation support and agricultural product distribution (rice export).

*A government-certified system that quantifies and verifies greenhouse gas (GHG) emission reductions and absorption (carbon sinks) in Japan.



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The second is the domestic agricultural machinery business.

In order to continue supporting the people who support Japan's rapidly changing agriculture, we will transform our business structure with a view toward 2040. We will promote smart agriculture to support large scale and labor-saving operations, stabilize our business base by expanding the maintenance business, and build a sales structure that is optimal when core farmers play a central role in the industry.

So far, we have explained the seven key business initiatives we will focus on under the three categories of selection and concentration of management resources.

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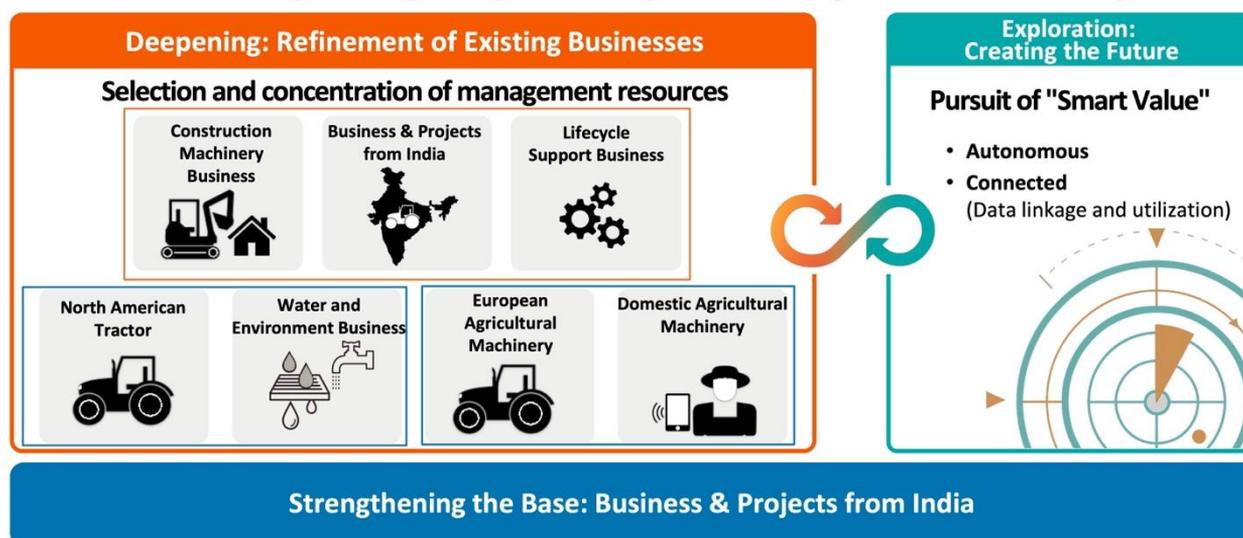
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3. Mid-Term Business Plan 2030

(1) Selection and concentration of management resources

"Focus & Breakthrough": Strengthening and Creating Business through "Ambidextrous Management"



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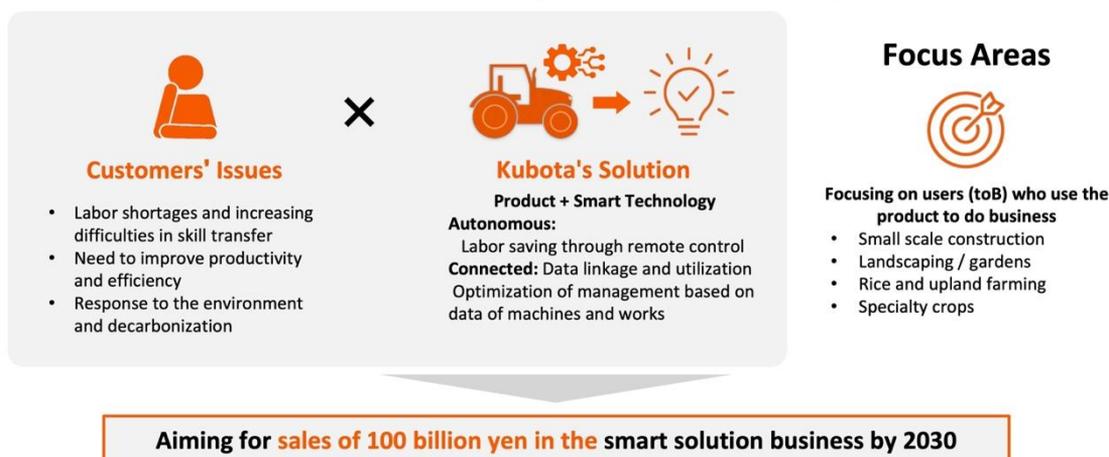
See page 20. All seven businesses we have discussed so far can be described as the deepening and refinement of our existing businesses. In addition to these efforts, we will also focus on the search for new businesses, strengthening and creating new businesses through these two efforts. In other words, it is ambidextrous management.

3. Mid-Term Business Plan 2030

(1) Selection and concentration of management resources

Creating Kubota's Unique Value: Business Transformation through Products and Solutions

We will solve our customers' most important issues through the fusion of Kubota's strengths, machinery and smart technology, and achieve sustainable growth.



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At the center of business creation through exploration is the smart solution business described here. Although it is outside our management targets, we are preparing to build it into a JPY100 billion business. The smart solution business that Kubota aims to develop, particularly in the water & environment business, is a total solution centered on product technology, as described on page four. As also shown on page 21, it represents

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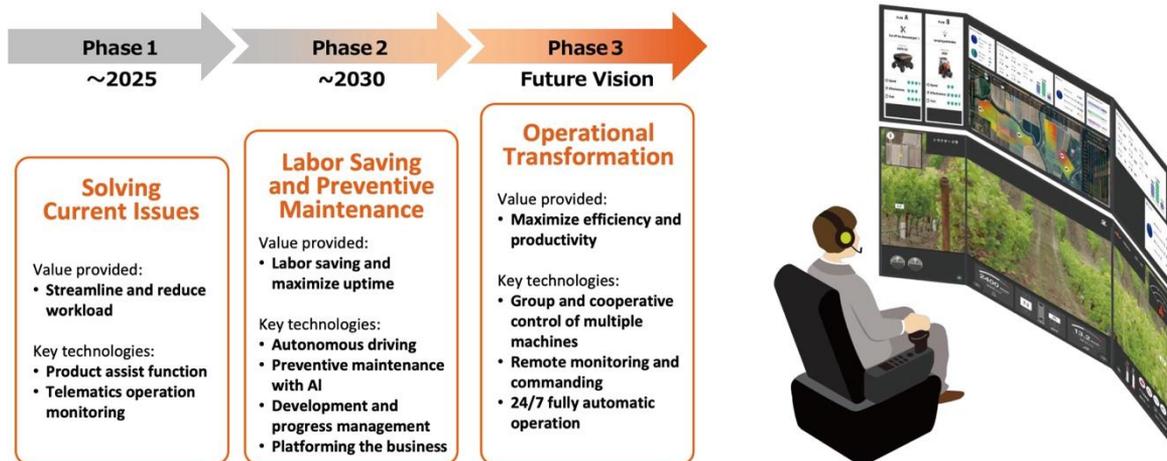
a deepening of existing businesses, since product plus smart technology is at its core. We are convinced that this is where the value of realizing Kubota’s unique smart business lies.

3. Mid-Term Business Plan 2030

(1) Selection and concentration of management resources

Solution Evolution and Future Vision: Transforming Customer Operations

From solving current problems with assist functions to full automation through the coordinated work among multiple machines in the future, we will deepen the value we provide in stages.



Looking ahead, we believe the world will move one step further toward automating operations themselves at agricultural and construction sites. This is the vision Kubota presented at CES in January this year. We are steadily preparing to realize that world. By delivering big work with smaller machines in the world of solutions, something only Kubota can achieve, we will continue to provide new value to society.

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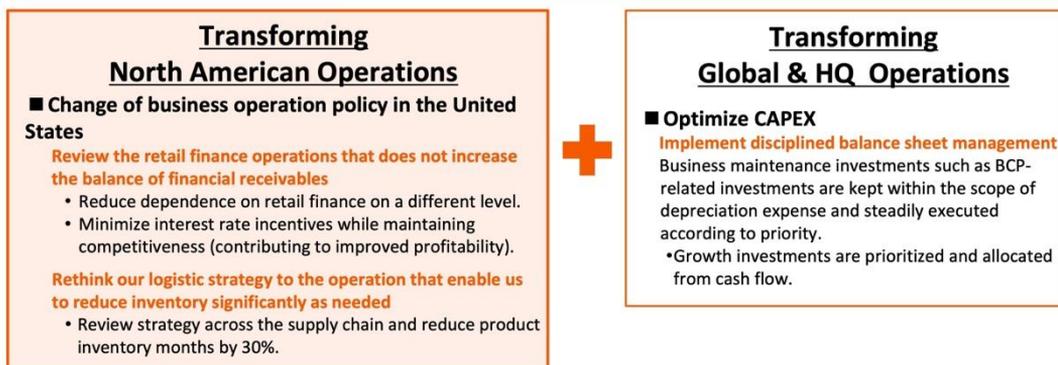
3. Mid-Term Business Plan 2030

(2) Strategic financial management with a focus on the balance sheet

The outline of financial strategy: What must change

From the traditional financial target management centered on sales and profit margins,
Shifting to a financial strategy that focuses on balance sheets and capital efficiency

ROE and ROIC that consistently exceed the cost of capital
(2030 target: ROE 12%, ROIC 7% or more)



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Now we will move on to our second focus, strategic financial management with an eye on the balance sheet.

Here is a summary of the framework of the financial strategy approach in the new mid-term plan. First, we will make a major shift from our traditional P&L oriented financial targets centered on sales and operating profit margin to balance sheet focused management.

As stated, we will set ROIC targets with WACC in mind and ROE targets that take into account the cost of shareholders' equity. To achieve these targets, we will clearly identify what must change and ensure the steady execution and follow up of the necessary measures.

At the same time, we will not set excessively ambitious ROIC and ROE targets. We have properly factored in the conditions of the industry in which Kubota operates, particularly the fact that we conduct our own retail finance, which is an industry characteristic that requires significant use of assets.

In addition, we have set targets at a level that is challenging yet supports the maintenance and improvement of our business, taking into account various factors such as our own capabilities and position, and how we will maintain and leverage our dealer network, which is our greatest business asset.

To achieve these targets, we must first change the way we operate in North America, which accounts for more than 40% of our business. This is the first major area that must change.

There are two points. One key issue is how to address retail finance operations, which is our biggest challenge. The main cause of the deterioration in ROIC can be seen as a negative consequence of expanding our business through the aggressive use of retail finance receivables. In response, we began a major policy shift in the middle of 2025. Based on the results so far, we now see a path toward 2030 in North America that is achievable with almost no increase in retail finance assets. We have incorporated this into our mid-term business plan.

The second is the reduction of working capital. We have positioned a bold review of our SCM and logistics strategy as a key priority for the next five years, and through this initiative, we aim to reduce working capital.

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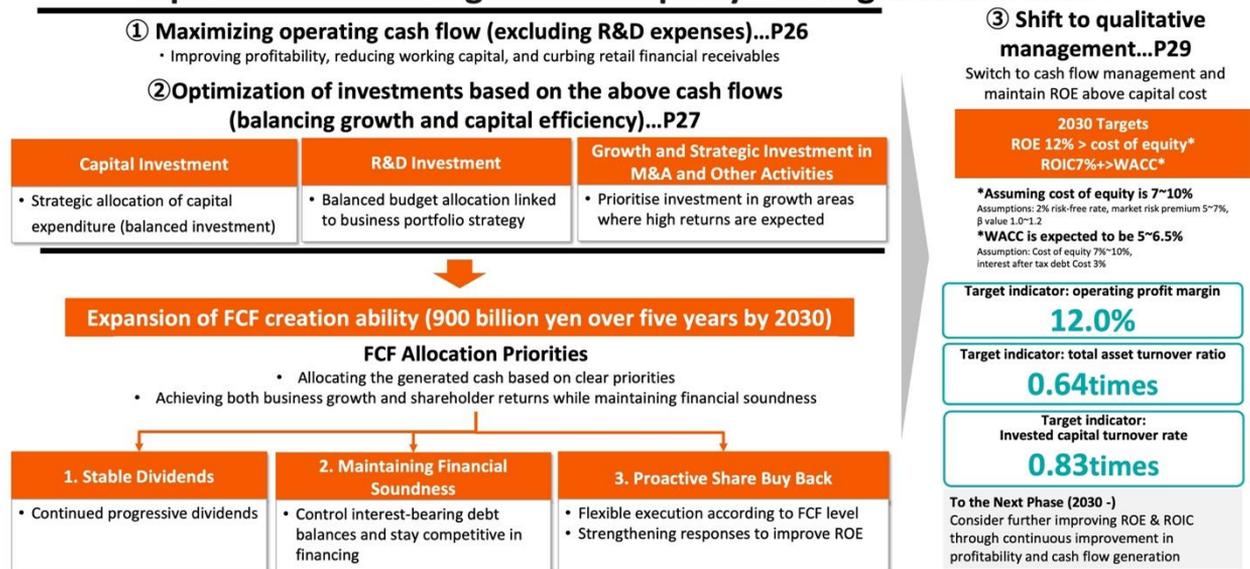
Next is the control of capital investment at the companywide level. Over the past several years, we have made significant investments to sustain our business, including major BCP related investments and large IT investments. Going forward, by reviewing the nature of BCP investments and other measures, we will firmly execute business maintenance investments while keeping them within the scope of depreciation and amortization.

On the other hand, with regard to growth investment, we have made substantial progress across the company. Going forward, we will prioritize allocations from operating cash flow and actively allocate resources, particularly to growth driver businesses.

3. Mid-Term Business Plan 2030

(2) Strategic financial management with a focus on the balance sheet

Expansion of cash flow generation capacity + strategic cash allocation



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To achieve our mid-term business plan target of JPY900 billion in cumulative free cash flow over five years, the key is to expand our cash flow generation capacity. Strategic cash allocation means how effectively we deploy that cash flow. This page is a summary of that concept.

We will maximize operating cash flow and allocate that cash appropriately to business maintenance and growth investments. Free cash flow will be strategically allocated to maintain financial soundness and provide shareholder returns. As a result, we are setting a target of 12% ROE for 2030, at a level that exceeds our cost of shareholders' equity.

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3. Mid-Term Business Plan 2030

(2) Strategic financial management with a focus on the balance sheet

① Three levers to maximize operating cash flow

Improving profitability



Reform Business Portfolio

Allocate resources on Growth Driver businesses (Construction Machinery, Business and Service from India, Lifecycle Support Business) and reform structure of business profitability.

Target: 12% operating profit margin by 2030

Compressing working capital



Optimize inventory and strengthen accounts receivable management

Optimize global inventory with area SCM capabilities.

Target: Reduce product inventory months in North America by 30% by 2030

Controlling retail finance receivables



Review financial programs

Switch sales model to an incentive-independent, such as shortening the 0% financing term in North America.

Target: Improve retail finance receivables turnover period and reduce total asset turnover to 0.64 times

Now, we will explain the specific measures in detail. First, I will explain maximizing operating cash flow on this page. Operating cash flow will be maximized through three measures. The first point is to improve profitability. As detailed earlier, we will allocate resources to growth driver businesses, and execute the structure reform of business profitability, aiming to achieve an operating margin of 12% by 2030.

The second is to compress working capital. Through area SCM functions and logistics improvements, we will optimize global inventories, and we will reduce product inventory months by 30% by 2030, particularly in North America. This is a rather bold plan, but we aim to achieve it by making maximum use of the IT infrastructure and other resources in which we have already invested.

The third is to control retail finance receivables. We will review our retail finance program, particularly in North America, and move away from the extreme incentive dependent sales model that has continued for many years. Together with the reduction of working capital, we will improve the total asset turnover ratio to 0.64 times.

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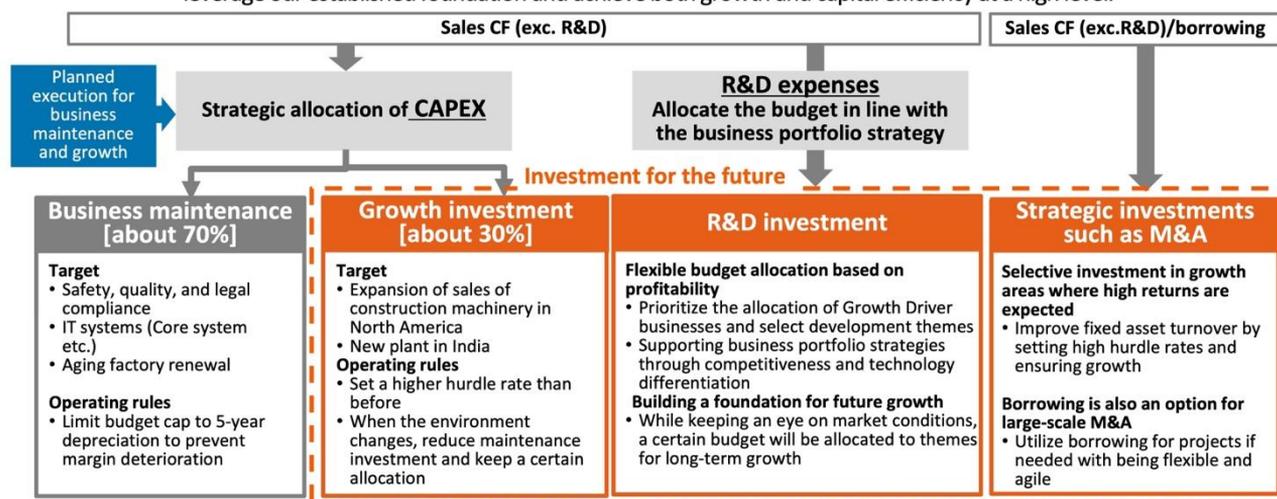
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3. Mid-Term Business Plan 2030

(2) Strategic financial management with a focus on the balance sheet

② Optimization of investment based on operating cash flow (balancing growth and capital efficiency)

Leveraging the business foundation built through large-scale growth investments to date, we will accelerate the shift from "quantity" to "quality" in investment. Regarding growth investment, we will narrow down the top priority areas where we can leverage our established foundation and achieve both growth and capital efficiency at a high level.



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See page 27. This is about optimization of investment based on operating cash flow.

While leveraging the business foundation built through growth investments to date, we will shift in our investment approach from quantity to quality. For capital investment, our basic policy is to keep business maintenance investments within the scope of depreciation and amortization. We will execute investments in a planned manner, with an approximate allocation of 70% for business maintenance and 30% for growth investment. At the same time, we will place greater emphasis on profitability by raising the investment hurdle rate.

Although R&D expenses are inherently part of operating cash flow, this explanation is provided from the perspective of investment allocation. We will allocate budgets flexibly based on profitability and carefully select development themes. On the other hand, we will secure a sufficient budget for up front development investment and position it as growth investment. Overall, we plan to maintain the level of investment we have built up over the past five years. In addition, with regard to M&A, we will focus on areas with high business potential and profitability, and pursue them in a flexible manner, utilizing borrowings as necessary.

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3. Mid-Term Business Plan 2030

(2) Strategic financial management with a focus on the balance sheet

Coexistence of strategic investment and financial discipline

While investment for the future will be continued firmly, we aim to enhance the operating profit margin by steadily controlling fixed costs in addition to improving revenue from the business portfolio through "Focus."

 <h4>Capital Investment</h4> <p>We will break away from individual optimization and thoroughly allocate strategic investment from the perspective of overall optimization led by HQ.</p> <ul style="list-style-type: none"> Balanced allocation between growth and business maintenance investments Strengthen return with higher hurdle rate for investment and keep disciplined operation with monitoring  <p>Annual investment amount 180 billion yen scale</p>	 <h4>R&D Expenses</h4> <p>Align with business portfolio strategy and allocate budgets in a balanced manner according to business contribution.</p> <ul style="list-style-type: none"> Implement flexible budget allocation based on profitability Prioritize the allocation of Growth Driver business and select themes of R&D Secure a certain budget for prior research  <p>Annual investment amount 100 billion yen scale</p>	 <h4>SGA</h4> <p>Contain cost increases below revenue growth by implementing disciplined expense management and organizational efficiency.</p> <ul style="list-style-type: none"> Control cost growth less than inflation Streamline and integrate organisation and improving operational efficiency  <p>Cost increase rate Less than 3% per annum</p>
<p>The foundation that supports execution The responsibility and authority of each function are clarified by the CxO system to achieve highly effective cost management. The number of consolidated employees will be maintained at an appropriate level to maximize productivity.</p>		

Move on to page 28. While continuing strategic growth investment, we must firmly maintain financial discipline. Capital investment, R&D expenses, and SG&A will all be aligned with our business portfolio strategy, ensuring balanced allocation based on contribution to earnings and discipline through strengthened monitoring.

In particular, for SG&A, we will thoroughly implement a policy of limiting the annual cost increase rate to 3% or less through organizational streamlining. At the same time, by strengthening the companywide CxO system, we will clarify responsibility and authority and achieve highly effective cost management.

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3. Mid-Term Business Plan 2030

(2) Strategic financial management with a focus on the balance sheet

③ Shifting to qualitative management that achieves a V-shaped recovery

The transition to cash flow management serves as a lever to restore ROE to a level that exceeds the cost of equity capital



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What we have explained so far is summarized on this page in a timeline format.

As a result of declining profitability and deteriorating asset turnover, ROE declined to 7.3% in 2025. In contrast, we aim to achieve ROE of 12% in 2030 by improving not only the operating margin but also the asset turnover ratio through the strategic balance sheet-conscious management that we have described, such as business portfolio reform, thorough working capital management, and control of retail finance receivables.

Beyond 2030, we will continue to enhance profitability and cash flow generation, with a view to further improving ROE.

Finally, although it is not shown on this page, we have positioned ROIC as an important internal management indicator for more than three years. As stated at the beginning, in the mid-term business plan 2030 we will set a target of ROIC of 7% or more. Going forward, working capital and retail finance receivables, which have not been sufficiently followed up in the past, will be managed as important KPIs across major regions and businesses.

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3. Mid-Term Business Plan 2030

(3) A robust global foundation to support future growth

Establishing an agile and resilient management system that can support leading business in the global market

"Toward Kubota's unique global management"

We will accelerate decision-making, reform human resources and culture that encourage challenges, and strengthen supply chains to enhance our ability to execute strategies.



Organization and Governance

- **Full-scale introduction of the CxO system:**
Under the direction of the CEO, the person in charge of each function (CxO) will take on the responsibility of each function globally. We will increase the speed of decision-making and clarify responsibilities.
- **Introduction of an internal company system:**
Strengthen the independence of water and environment business and promote operations independently.
- **Business integration of indirect departments:**
Transfer some of the headquarters functions to business units to streamline the organization. Built a system that directly supports the business close to the site.



Human Resources and Corporate Culture

- **Actively utilizing global human resources:**
Incorporate overseas human resources into global strategy and decision-making.
- **Building a culture that encourages challenges:**
Evolve a human resources strategy that can assist employees to reinvest the time generated by digital technologies such as AI into the challenges and growth.
- **Evolution of Kubota's unique strengths (DNA):**
Accelerate the evolution of the DNA that has generated Kubota's growth so far, and create our new value and business.
- **K-ESG management:**
Solving social issues and contributing to a sustainable future.



Global Supply Chain

- **Shift to production at optimal site :**
Shift from traditional local production for local consumption to production at optimal site that takes into account costs and risks. It also supports the block economy.
- **Strategic use of the sourcing network of India:**
Reduce costs and diversify suppliers.
- **Strengthen risk management:**
Diversify suppliers and conduct thorough human rights due diligence in light of geopolitical and economic security risks (such as tariffs).

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Next, I will explain the third measure supporting the new mid-term business plan, which is a robust global foundation to support future growth.

As described on page 31, we aim to establish Kubota's unique global management by strengthening three areas: organization and governance, human resources and corporate culture, and the global supply chain.

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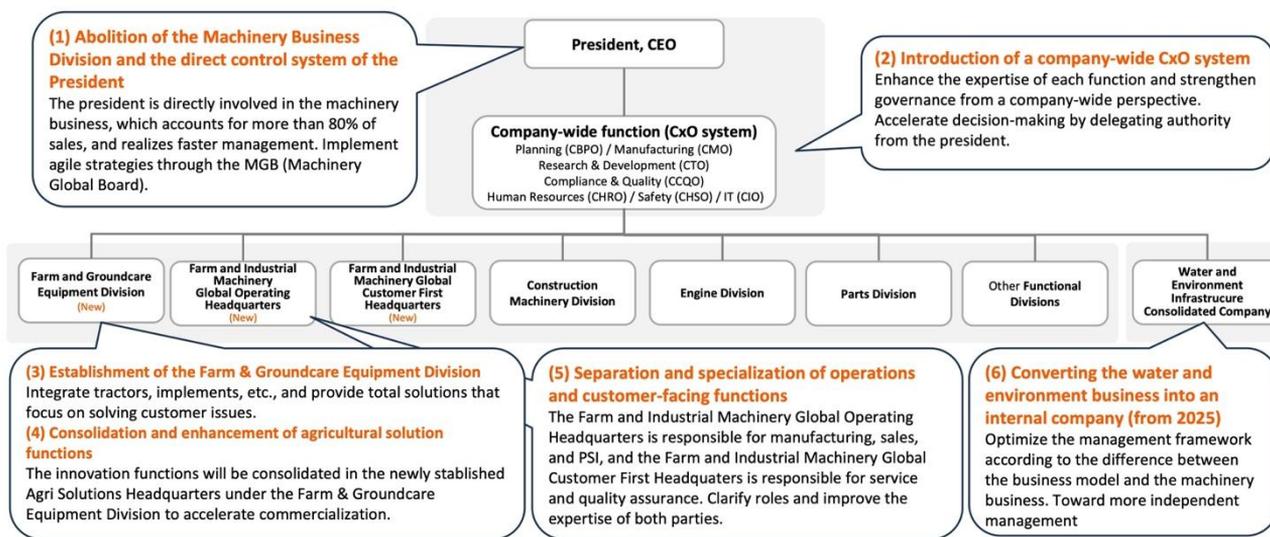
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3. Mid-Term Business Plan 2030

(3) A robust global foundation to support future growth

New management system to accelerate decision-making and improve customer value

More agile and strong management foundation by balancing business expertise with company-wide optimization.



The new management structure, which we have explained on various occasions, was launched in January of this year as described on this page. Under this structure, we will achieve business growth with greater speed, based on the respective characteristics and slogans of the machinery Business and the water & environment business.

At the same time, we will strengthen governance through the companywide CxO system. Under this new framework, we will further develop global human resources with a mindset that is different from our traditional approach.

We have begun to implement mobility programs in full scale, including assigning overseas local executives. In addition, by promoting new initiatives, such as appointing more outstanding non-Japanese executives to key leadership positions within Kubota, we will advance Kubota’s unique global management.

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3. Mid-Term Business Plan 2030

(3) A robust global foundation to support future growth

The foundation that supports sustainable growth: Human capital strategy

Realizing a sustainable corporate value through strategic investment in people who lead major transformation.

 <p>Developing global human resources (ensuring sustainable growth)</p> <p>We will break away from the conventional Japan-centered system and build a solid management foundation that supports business continuity and growth.</p> <ul style="list-style-type: none"> • Ensuring management sustainability: Reduce management risks by introducing succession plans for important posts and systematically developing and assigning the next generation of management leaders. • Participation of overseas human resources: Promote the participation of overseas human resources in global management. 	 <p>Productivity innovation through DX and AI (improvement of profitability)</p> <p>We will strengthen investment in people as the source of innovation and realize reform of the profit structure.</p> <ul style="list-style-type: none"> • Shift to high added value: Thoroughly improve operational efficiency through the use of DX and AI and reallocate the resources created to growth areas. • Development of innovative human resources: Through the establishment of the "Kubota Global AI Academy", we will raise the level of digital skills across the company, deepen existing businesses, and accelerate the creation of new solutions.
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Contribution to Corporate Value Enhancement.

By strengthening governance and ensuring business continuity to stabilize management, and by enhancing productivity and accelerating innovation, we will directly contribute to improving operating profit margins and creating future growth opportunities.

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In terms of human capital strategy, we will actively promote the full-scale use of AI.

As part of the organizational reform, we have integrated indirect departments and the machinery business headquarters. As we move toward a leaner headquarters structure, we will focus on developing innovative talent and personnel who can operate close to the business. We will strengthen investment in people who can drive productivity through AI and DX.

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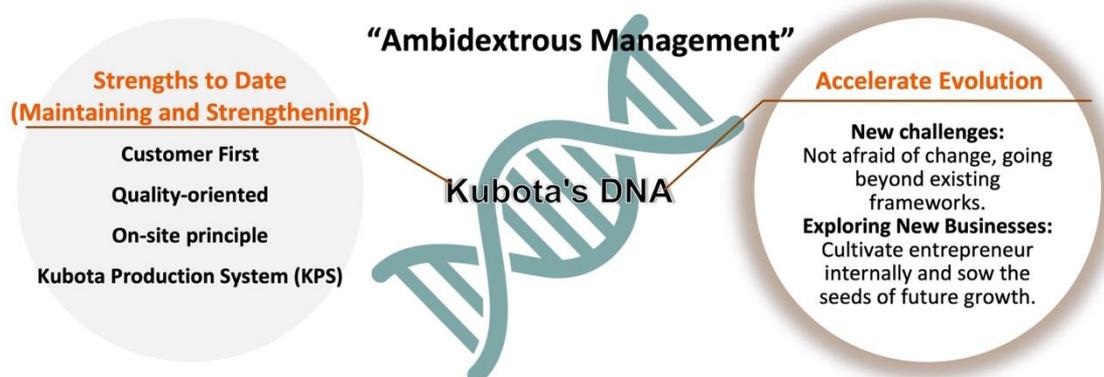
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3. Mid-Term Business Plan 2030

(3) A robust global foundation to support future growth

Foundations for Sustainable Growth: Corporate Culture, DNA, and its Evolution

We will place Kubota's unique strengths (DNA) at the core of the management foundation that supports our business strategy and accelerate its evolution.



These **inherent strengths** are the source of Kubota's value. To increase added value and **recover and improve our earning power**, we will further hone this competitive advantage and evolve our entire management foundation.

To ensure Kubota’s sustainable growth, we must pursue new business creation in addition to deepening our existing businesses. While maintaining and strengthening Kubota’s DNA and core strengths, we will lay the foundation for ambidextrous management by establishing new initiatives such as the Entrepreneur School.

3. Mid-Term Business Plan 2030

(3) A robust global foundation to support future growth

K-ESG Management: Contributing to a Sustainable Future at the Heart of Business

Kubota's business activities contribute to solving social issues and are the practice of ESG management.

<h1 style="font-size: 2em; color: orange;">E</h1> 	<h1 style="font-size: 2em; color: orange;">S</h1> 	<h1 style="font-size: 2em; color: orange;">G</h1> 
<p>Environment Business activities that coexist with the earth</p> <ul style="list-style-type: none"> • Resource circulation solutions: Utilize melting technology and other technologies to contribute to the value conversion of waste. • Strengthening water infrastructure: Provide pipeline renewal and efficient water management systems. • Challenge to carbon neutrality: Promote hydrogen production-related technologies and contribute to society's GHG reduction. 	<p>Social & Stakeholders Fostering empathy through social connections</p> <ul style="list-style-type: none"> • Investing in human resources and creating a challenging culture : Develop global human resources and respect diversity. • Dialogue with stakeholders and improvement of corporate value: Improve corporate value through active dialogue by top management. 	<p>Governance Robust management foundation to support sustainable growth</p> <ul style="list-style-type: none"> • Strengthening the global compliance system: Develop a system that can promote independent management in each region. • Strengthening cybersecurity: Build a defense against cyber attacks as an important management issue to ensure business continuity. • Speeding up decision-making and clarifying responsibilities: Strengthen the management system by introduction of company-wide CxO system.

Page 35 summarizes Kubota's unique ESG management. Over the past five years, we have expanded our activities quite broadly. Going forward, we will narrow our focus to the areas described here and continue effective ESG management that is uniquely Kubota’s. Our basic principle is that Kubota's business activities will contribute to solving social issues and are the practice of ESG management.

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3. Mid-Term Business Plan 2030

(3) A robust global foundation to support future growth

Strengthening Global Supply Chains: Building an Agile and Resilient Business Foundation

By comprehensively evaluating regional business environments, product characteristics, costs, and geopolitical factors such as tariffs and trade regulations, and by regularly reassessing the optimal locations, we will build a robust and flexible production and procurement structure capable of adapting to block-economy trends and external environmental changes.

Basic Policy: From local production for local consumption to "optimal production"

Realization of the area SCM concept

From individual optimization to overall optimization by area

We are moving away from site-by-site management and going to build a supply chain centered on the area SCM headquarters (Japan, North America, Europe, India, and ASEAN).

Achieving both overall inventory optimization and supply stability

By integrating and adjusting production plans in the area and optimizing inventory locations between bases, we will achieve both a stable supply to customers and a reduction in total inventory.



Building a sustainable procurement system

Build a procurement layout that can be freely supplied

We will build a balanced procurement system that combines global optimal procurement with local production for local consumption, and diversify risks by avoiding unipolar concentration in specific countries.

Efficiency through the promotion of global standards

We promote global standardization of Kubota standards, including the use of gateway warehouses, material management and procurement operations, and related systems, to develop suppliers and improve operational efficiency.



Kubota is a manufacturing company, and strengthening our supply chain is the cornerstone of a strong global foundation. The global political and economic environment is changing dramatically day by day, and it appears that the world is becoming one where conventional assumption no longer applies.

We must respond quickly to global challenges such as the shift toward a block economy and trade barriers caused by tariffs. To do so, we will strengthen regional supply chain management and build a flexible supply chain, and through optimal local procurement and optimal production, we will secure competitiveness and maintain a stable business foundation, as described in this page.

It was a little long, but this concludes my explanation of the mid-term business plan 2030 that we are about to implement.

Based on an organization that embraces challenge, Kubota will be reborn through Focus & Breakthrough.

Thank you for your attention.

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Question & Answer

Matsui [M]: We will now move on to the Question and Answer session.

Tsubasa Sasaki [Q]: My name is Sasaki from UBS Securities. Thank you very much for your explanation today. I have two questions.

My first question. As you described on the last slide, I think the key point is that Kubota is changing in this mid-term business plan. President Hanada's explanation about reviewing the business portfolio, focusing on the balance sheet, and free cash flow management was very clear.

With that in mind, I would like to ask you, Mr. Hanada, how important it is, from a corporate management perspective, to execute the policies you have set and realize them as strategy. Looking back, there have been times when you were not able to fully follow through on your stated policies, and historically this has led to a deterioration in profitability.

Under your new management structure, how do you intend to ensure the execution of the policies you have just outlined and guarantee their effectiveness? Could you please share your thinking on this point. Thank you.

Hanada [A]: As you pointed out, how we change our way of management is the core of this new mid-term business plan.

As I mentioned earlier in the presentation, we carefully analyzed the reasons why our financial position has weakened. As a result, we concluded that the first area we must address is our North American business, which accounts for more than 40% of our total business. In that sense, how far we can transform the way we operate in North America will be the key.

As I explained, we have expanded our business in North America by making significant use of retail finance assets. In a way, this has been common practice across the industry. However, we are the market leader in North America. In that sense, we are serious about changing the way this business is managed. In this context, we have fundamentally reviewed the structure of the North American business and the way we use incentives since last year, and based on the results, we formulated this mid-term business plan.

Another important issue is how we control costs. Regarding how we manage capital investment and fixed costs, we recognize that we have not done this sufficiently in the past. This is a companywide issue, and we will introduce clear hurdle rates and ensure disciplined investment decisions. As I mentioned earlier, we will also share a common understanding across the Company about where we generate cash and how we allocate it. Based on that, carefully execute each capital investment.

I also think it is very difficult to enforce this concept thoroughly. Over the next year, I intend to engage and discuss directly with each site and each business division to explain the background of this mid-term business plan and clarify what each team is expected to do. Through town hall meetings and active discussions, we will work to ensure it thoroughly.

Ultimately, the most important point is how far we can create a shared understanding internally and execute this plan together. That is where I will focus my efforts first.

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Tsubasa Sasaki [Q]: Thank you very much. As a follow up, as President Hanada just mentioned, may I confirm that the key issue is how to ensure that the policies set out in the Mid-Term Plan are fully embedded within the organization?

In particular, when you shift toward profitability focused management measures, it is important that the mindset and behavior of business divisions and frontline teams also change. Should we understand that driving this change will be one of the key challenges going forward? I would appreciate it if you can comment on this point as well.

Hanada [A]: You are exactly right. Just last week, we invited 50 to 60 local executives from our overseas machinery businesses to Japan. Over the course of a week, we discussed the mid-term business plan and the organizational reform together.

During that time, I shared my policies, and each Chief Officer and business division leader also explained their thinking, and we held discussions to deepen understanding. We have just gone through that process last week. I believe it is essential to continue these efforts. Changing a mindset that has been in place for several decades is not easy, but we must address it firmly.

This change also needs to be linked to individual evaluation. We will encourage changes in mindset and behavior through the design of our compensation system.

At the same time, we operate in a competitive environment. We must carefully consider how we compete while shifting our mindset and management approach. Striking that balance will not be easy, but we are committed to moving forward.

Tsubasa Sasaki [Q]: Thank you very much. Secondly, on slide 25, what are your thoughts on capital policy?

First of all, I think it is wonderful that President Hanada has set a policy of emphasizing the balance sheet and free cash flow, and of significantly strengthening our free cash flow generation.

That said, I would like to ask a follow up question. With regard to free cash flow, some companies recently have presented clear capital allocation policies with specific numerical targets, such as committing to a certain level of share buybacks or specifying how much of free cash flow will be returned to shareholders. In this case, however, rather than presenting explicit numerical targets, you have outlined the approach as shown on pages 25 to 27. Is there a particular reason for this?

The intent of my question is whether it might have been possible to provide numerical targets, and if you deliberately chose not to do so, I would appreciate it if you could explain the background and reasoning behind that decision. That's all from me. Thank you for taking my questions.

Hanada [A]: It may be viewed as if we deliberately chose not to present specific figures. However, for us, the most important point is to generate JPY900 billion in free cash flow over five years. This is precisely what we have not been able to achieve in the past, so our first priority is to ensure that we can firmly deliver on this target.

Once we reach a stage where we have a high degree of confidence in achieving this level of free cash flow, we may consider presenting more specific capital allocation figures. At this point, however, we believe it would not be appropriate to commit to concrete numerical targets.

With regard to dividends, as stated, we will maintain progressive dividends. In addition, since we have set a target of achieving 12% ROE, we recognize that proactive share buybacks will also be necessary.

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That said, our immediate focus is on firmly establishing visibility toward the JPY900 billion free cash flow target. Against this background, we have chosen not to present specific numerical capital allocation targets at this stage.

Maekawa [Q]: My name is Maekawa from Nomura Securities. Thank you for your help. And thank you for your explanation today. Two questions from me as well, please.

As for the first point, I would like to start by asking about the balance with competition that President Hanada mentioned earlier. In the current medium-term plan, the word GMB that has been raised in the past has completely disappeared, and I wonder if there is a major change in awareness.

At the same time, one of the challenges under the previous mid-term business plan was that you had to compete in the market alongside strong competitors. In that context, I understand that you have deliberately chosen not to emphasize market share in this plan. I would appreciate it if you could elaborate on how you intend to approach competition going forward, and how you plan to balance competitive actions with the execution of the measures outlined in this plan. Thank you.

Hanada [A]: As I mentioned earlier, we have divided our business into three categories. First, with regard to the growth driver businesses, we position them as businesses where we will firmly capture market share.

As I mentioned earlier, the North American tractor business is positioned as a rebuilding the core business. Although it is our largest business, for at least the next five years we will not pursue market share at any cost.

That does not mean we will not increase our market share, but rather that we will avoid excessive cost spending and focus on strengthening the business in a disciplined manner.

As I noted earlier, it is very important to monitor the outcome of the incentive review we began last year. We have been implementing these changes for a little over six months. When we first introduced the program revisions ahead of others, there were concerns about how our market share might be affected. However, the impact has been relatively limited so far.

Going forward, we intend to shift our approach in the mid-term. We will leverage Escorts Kubota more effectively, strengthen our product competitiveness, and compete with cost competitive products.

Of course, we cannot cover with one product line alone. Therefore, we believe we can compete against competitors by taking a pincer approach, having both India made products and Kubota made products. Rather than spending heavily to gain market share, we believe we can compete by changing the way we approach the market and by taking a pincer strategy.

Maekawa [Q]: Thank you very much. To follow up, I would like to ask about the finance program. I think this is an important feature for dealers when promoting retail. I understand that your point may be that it is not necessarily required to use your own balance sheet. For example, in recent years, there have been cases in the construction machinery sector and in North America where trading companies have participated through external partnerships. Could you please elaborate on whether you would consider such external collaboration in the development of your finance programs as well.

Hanada [A]: If you look globally, some companies are doing retail promotion and retail finance, working with outside financial institutions. For example, in Europe and some parts of Asia, we are doing that as well. It depends on the circumstances of each country whether such an approach would function effectively. However, using external financial institutions could increase costs and potentially weaken our competitiveness. It may also reduce flexibility in responding to market conditions. At the same time, we believe that our own funding costs are very competitive.

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Therefore, I think the area that needs to be reviewed in the current approach is how to manage the retail finance receivables themselves without inflating them too much.

Maekawa [Q]: Understood. Thank you. Second, I would like to ask again about profit improvement.

You have shown it is a measure with great effectiveness. On the other hand, although you have not disclosed specific figures, when you look at the North American business, I assume that profitability differs between construction machinery and compact or mid-size equipment, and that margins may also vary significantly by region. Are there opportunities to improve profitability by shifting focus toward particular regions or product categories? If there is such a possibility, I would appreciate it if you could mention it as well. Thank you.

Hanada [A]: I think this is exactly what I was explaining at the beginning of this presentation, the selection and concentration of management resources as in the first measure. In the construction machinery business, profitability is good. So, we will invest resources in this business because it is expected to grow.

This does not mean that the North American tractor business is bad, but rather that it has become worse than before. Since it is our largest business, we recognize that unless we strengthen this area, we will not be able to improve overall profitability. For that reason, we plan to allocate additional resources to this business.

In recent years, particularly for mid-size and large tractors, we have devoted considerable resources to our European operations. Going forward, we intend to redirect more of those resources to North America. By strengthening our core mid-size tractor segment in North America and increasing volume there, we believe we can reinforce the business and improve overall profitability.

Maekawa [Q]: Thank you very much. You mentioned that resource allocation is shifting. Does this involve any selection and disposition within the business portfolio? Are you at a stage where you are shifting your focus through resource reallocation? I would appreciate it if you could comment on that area. Thank you.

Hanada [A]: First, we intend to respond through resource reallocation and concentrate on whether each business can achieve the level of profitability we consider sufficient. From this year, we have established a Portfolio Strategy Committee within the company. Through this committee, we will regularly review each business and determine what actions should be taken.

At this stage, our main approach is to shift resources and then carefully assess whether the rebuilding the core and structural reform businesses can achieve the form we envision. That is our current stance.

Fukuhara [Q]: My name is Fukuhara from Jefferies. Thank you for your help. I have two questions as well.

Regarding the first question, I am looking at page 12 of the slide. It is about the construction machinery business and business & projects from India. Considering the growth in sales, which is expected to be two to three times the growth of the market, I think you are describing an increase in market share. If possible, could you explain the assumptions behind the growth rates you have calculated?

In the same context, I would like to ask about the tractor business on the right side as well. In the case of tractors, there is also the issue of customers placing strong emphasis on price. If you are not pursuing market share, how do you intend to achieve revenue growth that exceeds market growth rate? That is my first question. Thank you.

Hanada [A]: With regard to the growth driver businesses, as described in each section, we intend to steadily expand our market share. Our center focus of the construction machinery business is on North America, and as I have explained before, we are a follower, especially in Compact Track Loader. There is still room to increase market share. We do not yet have a complete product lineup, and we believe that our products

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themselves are far superior to those of our competitors. In that sense, one of the first things to do is to expand the lineup.

As I mentioned earlier, in addition to expanding share in the growth driver businesses, we are also working to lead the development of smart construction machinery in areas where large construction equipment manufacturers have traditionally operated. By doing so, we aim to achieve business CAGR that exceeds market CAGR.

In the India business as well, our current market share is just over 10%, which means there is significant room for growth. By allocating substantial resources as the Kubota Group, we believe we can expand our share further, and therefore we are targeting a relatively high business CAGR in this area.

In North America, when we say we will not pursue share aggressively, we are referring mainly to compact tractors. With regard to this segment, we say that we will not deliberately pursue market share. However, in the higher classes, considering the resource reallocation, I mentioned earlier and further strengthening our focus, we believe we can achieve business CAGR that exceeds market CAGR.

Fukuhara [Q]: I see. Understood. Thank you very much. My second question is on slide 25. It is about the ROIC concept described here. Based on my calculations, ROIC is probably around 3% to 4% right now. Looking at the slide, you are aiming for 7% or more in 2030. I think that if the tax rate is flat, you would have to double your profits and also reduce your invested capital by half.

The idea is that the top line, which depends on the external environment, is difficult to control. However, since the invested capital can be managed within your company, you can also consider such things as improvement of assets or return of assets. In that case, I would imagine that the top priority for ROIC-driven concept would be how to reduce equity capital and invested capital, for example. This is not so much a question, rather confirmation, but what do you think?

Hitoshi Sasaki [A]: I, Sasaki, am in charge of finance. In order to improve ROIC, we are aiming for an operating margin of 12%, which is the profitability ratio.

With regard to invested capital, as I mentioned earlier, we intend to achieve business growth without increasing retail finance. As sales expand, working capital may increase to some extent. However, we will control the growth of retail finance receivables, which account for the largest portion of invested capital.

In addition, regarding inventories and accounts receivable, particularly in North America, which is our largest market, we have appointed a local executive officer responsible for supply chain management. While we have been working on improvements from headquarters, we now aim to accelerate inventory reduction in the region. As for capital expenditures, although we had set hurdle rates in the past, we acknowledge that we were not always able to control them sufficiently. Going forward, for growth investments in particular, we will ensure that they exceed our ROIC targets and replace facilities with more competitive ones. In this way, we aim to improve profitability without significantly increasing invested capital.

Fukuhara [Q]: Is there any idea of using share buybacks to lower capital?

Hitoshi Sasaki [A]: At this stage, we believe we can achieve 12% ROE at the current level of D/E ratio. So, our strategy is to rely first on our own efforts to limit the buildup of capital and achieve our ROE target.

Adachi [Q]: Thank you for your help always. I am Adachi of Goldman Sachs. Thank you for taking my questions. Now, let me ask two questions.

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This is very much related to the question just asked, but I would like to ask you about the achievement of 12% ROE and image of capital allocation.

Basically, if you assume an operating margin of 12% in targeting 12% ROE, net profit margin would be roughly around 10%. I think an asset turnover ratio of 0.64 means that leverage can go below, say, 2. In aiming for a total asset turnover ratio of 0.64, is your assumption that by continuing the current measures, finance receivables will not increase naturally and you will be able to achieve these targets?

Or is the assumption that they must be consciously reduced? If the latter, could you share your financial view on how much free cash flow per year would need to be allocated to debt repayment?

Finally, just to confirm, is it correct to understand that the 12% ROE target can be achieved without adjusting equity levels, and if you were to implement share buybacks, even higher ROE could be pursued? Although this would be a longer-term consideration, may I confirm whether you have such a vision in mind? This is my first question. Thank you.

Hitoshi Sasaki [A]: To answer your question directly, our starting point is to generate JPY900 billion in free cash flow. Within that amount, a question is how much of portion can be allocated to maintaining financial soundness. At present, our D/E ratio is not at a concerning level. Therefore, we believe that a significant portion of the free cash flow can potentially be used for returns.

As we plan to operate without increasing retail finance receivables, we also expect that we will be able to repay a certain level of interest-bearing debt. Based on this outlook, we have formulated our current strategy.

Hanada [A]: I would also like to add. I think there was a question about whether we think it is okay to use retail finance as it is now. In North America, we also expect significant growth in the construction machinery business. Therefore, even if we revise the program and change the way we manage retail finance, the finance receivables could still increase by sales increase. For that reason, we believe it is necessary to implement certain measures to offset this impact. This is precisely why major changes to the retail finance program are required, and we believe we must proceed with clear determination.

Adachi [Q]: Thank you very much. Just to confirm, the finance program includes elements that involve pure financing, and there are also portions that can be handled in cash, such as rebates. Is it correct to understand that the program will be managed flexibly depending on the situation?

In addition, Mr. Sasaki, you mentioned that your current policy is to repay a certain amount of interest-bearing debt. Do you have a quantitative target in mind, for example JPY50 billion or JPY100 billion per year? I would like to add two additional things, please.

Hanada [A]: Let me respond to your first question. Under this mid-term business plan, our basic policy is to manage the finance program in line with the plan and avoid allowing it to deteriorate.

To supplement that, we intend to use cash incentives appropriately in order to maintain competitiveness. We will respond flexibly while closely monitoring market conditions.

Hitoshi Sasaki [A]: Regarding the repayment of interest-bearing debt, we have not set any exact amount or anything like that. The level of free cash flow generation will vary from year to year, depending on business performance and economic conditions. With that in mind, we will prioritize dividends first, and then flexibly determine how much to allocate strengthening financial soundness or to share buybacks. We would like to retain room to make such decisions in an agile manner.

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Adachi [Q]: The next question is about the slogan and the policy. I think big work with smaller machines, is a very clear and easy to understand slogan. At that point, let me ask the question, what about larger machines?

Large tractors are deployed in Europe, the US, and Japan, but my understanding is that their current market share and profitability are not particularly high. You mentioned earlier that you will not pursue share aggressively. In that case, there may be concerns that production volume could decline and margins could deteriorate further.

At the same time, large tractors seem to be the segment where automation and new technologies can be tested most effectively. From the perspective of future growth and expansion into new areas, this segment could also play an important role. In that context, when you view this business from the standpoint of selection and concentration, could you share your current thinking? Thank you.

Hanada [A]: What I mean by small machines here is that the kind of tractors we are handling now, which are called M7 tractors which manufactured in France. These are still considered as small machines. As you mentioned, I believe that this area will play an important role in automation and cooperative control.

In that sense, we intend to maintain this business firmly. However, we do not plan to further expand volume aggressively or move into even larger segments such as M7 and above. That is the meaning behind our slogan, big work with smaller machines.

With the advancement of ICT and AI, we believe that the range of work that can be accomplished by deploying multiple small machines will continue to expand. We are conducting research and development in this area, and we expect the industry to evolve in that direction. There was a time when we considered moving further into larger scale equipment. However, we have now decided to shift our direction.

Hotta [Q]: This is Hotta of BofA Securities. Thank you very much. I have two brief questions.

The first one is about SG&A expenses on the right side of slide 28. If you are able to limit the annual increase to 3% or less, then in order to reach a 12% operating margin, which would require roughly a 4 percentage point improvement from the current level. More than half of that improvement would likely have to come from SG&A. In that sense, whether or not you can achieve the target depends heavily on how effectively you can control SG&A.

Given that it has been rising at double digit rates in recent years, this would require a significant shift. Could you explain more specifically what measures you plan to take to contain these costs to that level? Also, are these measures already taking shape to the extent that you can expect to see effects starting this fiscal year? Could you elaborate further on this point?

Hitoshi Sasaki [A]: First, excluding personnel expenses and depreciation related to past investments, we have begun to see better control over expense growth compared with previous years.

One factor is the recent organizational change. Since we have integrated the finance and business divisions, so can have more control over our targets.

In addition, in the past, cost management was largely driven by personnel from Japan or expatriates, and it was difficult to ensure that this discipline reached the frontline level. Now, however, we are increasingly involving local members in overseas bases.

As I mentioned earlier in the discussion of Long-Term Incentives, by embedding this awareness into evaluations and incentives, we believe control will become more effective in areas where it had previously been insufficient.

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With the introduction of the Chief Officer system, we now have a structure in which responsible officers can make global decisions. As for fixed costs, I will take the lead, we allocate budgets clearly for each fiscal year and work closely with regional members to control budgets. The Chief Officer in charge of facilities controls capital investment across the group.

By strengthening both the structural framework and the mindset, and by fully involving local staff, we believe we can achieve these cost control targets.

Hotta [Q]: Thank you. Second, incentives have been mentioned several times during today's briefing. Including the approach to executive compensation, when we look at the current annual securities report, it states that key indicators for 2025, such as revenue and operating profit, are used in determining compensation.

This time, however, you have emphasized profitability more strongly, including ROIC and ROE. Have you made significant changes to the way executive compensation is calculated, and also to the incentive structure for senior management? Or have there been no major changes in that area? Could you please elaborate on the incentive framework?

Hanada [A]: Thank you very much. As for executive compensation, we have already adopted ROIC as part of Long-Term Incentive for the past three years. For certain directors who also serve in executive roles, since last year we have incorporated ROIC and TSR as part of the LTI.

In addition, as I mentioned earlier, for overseas executives and, senior managers in North America who are not board members, we have begun partially incorporating ROIC as part of their Long-Term Incentives. We intend to expand this approach beyond North America to other regions as well. We started these measures this year. We believe that without embedding such mechanisms into the system, it would be difficult to ensure actions that are firmly grounded in our management objectives. Therefore, we plan to actively promote this initiative going forward.

McDonald [Q]: Citigroup, this is Graeme McDonald.

At first, what Mr. Hanada said at the end gives me a great impression that Kubota will be reborn in the future. I think it is fair to say that there has been lost five years, to 10 years, but I think there will be considerable changes in the future.

However, today, after listing various points today, I feel free cash flow target of JPY900 billion over five years and ROE of 12% are not such a challenging figure.

ROE has peaked at 15% in the past and has declined considerably, for a variety of reasons. I think it will get better in the future, but what do you think, the JPY900 billion free cash projection and the 12% ROE target sounds not too challenging to me, what do you think? I think you can go a little further.

Hanada [A]: Thank you very much for your point. As I mentioned at the beginning, even aside from cost control, the key issue is how to operate the North American business while keeping retail finance receivables under control.

As I explained earlier, although volumes are expected to increase, our goal is to offset that growth through program revisions and manage receivables without allowing them to expand significantly. However, we recognize that maintaining this balance will be very challenging.

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We operate in a competitive environment. Even if we say we will not aggressively pursue market share, we cannot allow it to decline substantially. Managing that balance is extremely challenging. In that sense, we have incorporated this level of difficulty into the JPY900 billion.

In recent years, our inability to generate sufficient free cash flow was partly due to significant investments, including large R&D facilities and M&A. While no major M&A is currently reflected, we may need to pursue attractive opportunities if they arose, which would also require cash. Taking all of this into account, we believe the JPY900 billion target is very challenging. However, if we can build a business structure capable of generating free cash flow beyond that level, we would certainly like to pursue that as well.

McDonald [Q]: Thank you very much. M&A, which Mr. Hanada mentioned earlier, this is also a cash out, but conversely, looking at the balance sheet, you still hold a lot of cross-shareholdings. How about this, how should we think about measures for these cross-shareholdings? This could be a cash-in possibility, though.

Hitoshi Sasaki [A]: As you pointed out, our policy is to eliminate cross shareholdings. We have incorporated part of that into our plan, but at this stage, we would refrain from stating the specific amount. Please understand that this is the direction we intend to take.

McDonald [Q]: Understood. Due to time constraints, let me move to my second question. This was also raised in yesterday's conference call. Looking at the US compact tractor business, as well as utility vehicles and lawn mowers and such, I understand that in this mid-term business plan, they are categorized as rebuilding the core businesses. However, why are they not positioned as structural reform businesses? Over the past four years or so, the compact tractor business has remained weak And competition is intense. I think you should view this segment more strictly.

Why is the US compact tractor business categorized as rebuilding the core rather than structural reform? I think you lack of putting of title or branding here. Do you view this business will recover cyclically, or do you see it as being in structural decline? I would appreciate your thoughts on this point.

Hanada [A]: The tractor business in North America includes a large variety of tractors, from utility vehicles and lawnmowers, as you mentioned earlier, to compact and mid-size tractors.

In this context, this business remains our most important and largest business. Therefore, we intend to fundamentally review how it should be managed and focus on rebuilding its value.

The key difference between structural reform businesses and rebuilding the core businesses lies in the growth outlook. For structural reform businesses, as described in the materials, it is difficult to expect high CAGR, and the focus is on how to implement reforms under such constraints. In contrast, rebuilding the core businesses are those where business growth itself can still be expected, and the issue is how to change the substance of the business to enhance value. That is the basis of our classification.

In that sense, for the North American tractor business, particularly the compact tractor segment, as I mentioned earlier, we will not aggressively pursue market share. Instead, we will work to rebuild the structure of the business, including leveraging resources from India.

We will implement structural reforms within the business. However, the distinction between the two categories is based on whether the market itself is expected to grow. That is how we differentiate between them.

McDonald [Q]: Thank you very much. Just to confirm, you export to the US utilizing your Indian operations or Indian bases, do we need to worry about tariffs?

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Hanada [A]: Of course we concern about tariffs. However, in that sense, regarding India, we believe it should initially be viewed under similar conditions to Japan. The key issue is how to assess the impact of tariffs in this situation.

In terms of competition, very few products are manufactured entirely within the US. Most manufacturers import a significant portion of components, so we believe the impact of tariffs is largely similar across competitors.

Taninaka [Q]: My name is Taninaka from SMBC Nikko Securities. Thank you. I have two questions.

Looking back at performance in India, market share has remained around 11% to 12% without significant change. Margins were around 9%. Could you explain what has not worked as expected since the acquisition, resulting in limited improvement in market share or margins? Also, what will change going forward that would lead to an improvement? If you could share any insights, I would appreciate it.

Hanada [A]: It has been about three years since the acquisition. During the first two years after the acquisition, we recognize and reflect that there were significant challenges in PMI. What I mean by that is that it was not easy to align Kubota's way of thinking and operating with that of the Indian side. Integration was difficult, and further improvement beyond that integration was also challenging.

That said, over those two years, the basic alignment of thinking between both sides has gradually progressed. Over the past year in particular, we have conducted intensive reviews of quality, productivity, cost structure, and the dealer network to identify the root causes behind stagnant market share. The Japanese side has been deeply involved, and within Escorts Kubota, we have also held extensive discussions, including input from outside directors. Based on these discussions, we have launched several concrete projects, which are already underway.

In that sense, while we may have lost one to two years in the beginning, we now believe that the foundation has been established, the key issues have been clearly identified, and execution is about to begin.

We are starting to see encouraging signs. For example, the Promaxx model launched last year incorporated process improvements and quality checks proposed by the Japanese side. As a result, we have seen virtually no quality issues, and the product has been well received in terms of performance. In that specific segment, we are already seeing an increase in market share, which is a bright sign.

Going forward, we plan to expand these improvements to other product ranges. In addition, until now, Kubota's resources were used mainly for Kubota branded products. We have now begun allocating resources more actively to the two local brands, Farmtrac and Powertrac, in order to accelerate overall improvement.

To summarize, the first two years out of three years were largely spent establishing the foundation. Over the past year, we have clarified the issues and defined the direction forward, and execution has begun. Based on this progress, we are confident that over the next five years we can achieve significant market share expansion and improvement in profitability.

Taninaka [Q]: Thank you very much. Second, I would like to ask about the degree of certainty regarding the focus on profitability in North America. I understand that you have begun incorporating capital efficiency as a KPI for management. I imagine that this also depends heavily on the personnel system for frontline sales staff.

With this mid-term business plan as a turning point, have you also revised the evaluation framework for sales personnel, for example by shifting from a focus on unit sales to gross profit? Is such a change in frontline incentives included in your profitability focused initiatives?

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Hanada [A]: For example, in the US, frontline sales personnel are evaluated under an MBO framework for their bonuses. In the past, the focus was primarily on sales volume and market share, although there were various other items as well.

More recently, we have begun incorporating profitability into the criteria. From this year, at KTC in the US, we have clearly communicated a policy of managing the business based on three pillars: growth, profitability, and asset efficiency. We have spent considerable time explaining this approach to field staff and ensuring it is fully understood.

I have repeatedly emphasized that unless we change these evaluation criteria, behavior will not change. I believe this message is now translating into actions.

Tai [Q]: My name is Tai from Daiwa Securities. Thank you very much. I have two questions.

One thing I would like to know is, how is Asia positioned this time around? Especially Thailand. I think the profit margin is relatively good, but maybe it's just that the market share is high and the market is not growing that much. I don't think I saw the word Asia in the materials, so I would like to ask you how you position this area.

Hanada [A]: Regarding Asia, we had positioned it as one of our growth businesses in the mid-term business plan 2025. In Asia, especially in Thailand, where we have the largest market share in the region, we have been able to maintain a stable business. We do not necessarily expect the market in Asia to grow significantly. However, we believe it is fully possible to maintain the business steadily and even expand the market itself by introducing new categories, particularly products for upland farming.

Profitability in the region is very high, and it remains an extremely important business for us. We did not include Asia among the seven focus businesses this time because, when dividing them into growth driver businesses and rebuilding the core businesses, Asia did not clearly fit into either category. That said, we continue to view it as a very important business.

From the standpoint of profit margin and profitability, other Southeast Asian countries are also still highly important.

Tai [Q]: Thank you very much. The other question is a bit odd, but how do you face with stock market in the future? Since last year, Mr. Kitao has attended the summer briefing, whereas previously such participation was limited to once a year. In addition, overseas IR activities, or PBR has now recovered to above 1 times, you are at a major turning point with the launch of the new mid-term business plan and changes in the management structure. At this important juncture, could you share any thoughts on communication with investors going forward?

Hanada [A]: I believe it is very important for top management to increase direct dialogue with stakeholders in the capital markets. In that sense, I would like to further increase opportunities for direct communication with investors going forward.

As you mentioned, this is the first year of the new mid-term business plan. It is important not only to present our thinking clearly, but also to follow up on progress. Therefore, we will continue to enhance communication with investors.

Matsui [M]: This concludes today's briefing.

Thank you very much for attending our briefing today.

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