

KUBOTA Corporation

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Kubota to Increase its Shareholding in the Indian Tractor Manufacturer, Escorts Limited

Kubota Corporation (Headquarters: Naniwa-ku, Osaka, Japan; President and Representative Director: Yuichi Kitao; hereinafter “Kubota”) announced that Kubota and the Indian tractor manufacturer Escorts Limited (Headquarters: Faridabad City, Haryana State, India; Chairman and Managing Director: Nikhil Nanda; hereinafter, “EL”) have reached an agreement under which Kubota will increase its shareholding in EL by means of subscription to third-party preferential primary share allotment and open offer bid.

1. Background and Objectives for Increase of Kubota’s Shareholding in EL

- EL is a listed company that serves as a major tractor manufacturer in the Indian market, which is reportedly the world’s largest tractor market in terms of unit sales. EL also manufactures and distributes construction machinery as well as other products.
- In India, tractors are utilized year-round for carrying loads, in addition to usual agricultural work, thereby mainstream tractors are highly durable with limited functions and at reasonable prices (hereinafter, “basic tractors”).
- With the aim of addressing market needs in India, Kubota has strengthened its partnership with EL, specialized in developing and manufacturing basic tractors, by establishing a joint venture manufacturing company in 2019 and through a direct equity investment into EL in 2020.
- Kubota has decided to increase its shareholding in EL, based on expectations for the basic tractor market to expand in emerging countries including India. In addition, the management has also considered such investment as the best way for Kubota to utilize combined resources in an effective manner and further strengthen the partnership between the two companies.
- After increasing its shareholding in EL, Kubota will provide quality and affordable basic tractors, by utilizing EL’s know-how and Kubota’s accumulated product development knowledge and capabilities to improve quality and productivity in the R&D, procurement and manufacturing functions. In the fields of distribution and service, Kubota will strive to effectively utilize both companies’ distribution networks by offering a wide range of products offerings, ranging from high-performance tractors to basic tractors.
- By positioning EL as an important foundation for basic tractors in the future, Kubota will consider developing and manufacturing of basic combine harvesters and construction machineries targeting India and other emerging markets.

2. Overview of EL

(1)	Name	Escorts Limited		
(2)	Location	Faridabad City, Haryana State, India		
(3)	Name and title of representative	Chairman and Managing Director: Nikhil Nanda		
(4)	Business details	Manufacture and sales of agricultural machinery, construction machinery, etc.		
(5)	Capital	1.34billion Indian rupees (hereinafter, "rupees")		
(6)	Year of establishment	1944		
(7)	Major shareholders and shareholding ratio	ESCORTS BENEFIT AND WELFARE TRUST 24.99% Kubota Corporation 9.09% HAR PARSHAD AND CO PRIVATE LIMITED 7.96%		
(8)	Relation between the listed company and the company	Capital relationship	Kubota holds 12,257,688 shares (9.09%) of EL stock. In addition, Kubota and EL have joint ownership of a sales subsidiary, Kubota Agricultural Machinery India Private Ltd. and a manufacturing subsidiary, Escorts Kubota India Private Limited.	
		Personnel relationship	One Director and Senior Managing Executive Officer, and one Senior Managing Executive Officer of Kubota concurrently serve as Directors of EL.	
		Business relationship	Kubota and EL have entered into an agreement relating to sales of EL products.	
(9)	Consolidated financial results and consolidated financial position of the company for the last three years (billions of rupees)			
	Fiscal year	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
	Consolidated net assets	26.8	31.2	50.3
	Consolidated total assets	47.1	50.2	68.8
	Consolidated net assets per share	221.02 rupees	257.26 rupees	375.60 rupees
	Consolidated net sales	63.5	59.1	71.7
	Consolidated operating profit	7.1	6.4	11.5
	Profit attributable to owners of parent	4.8	4.7	8.7
	Consolidated earnings per share	55.82 rupees	55.04 rupees	92.15 rupees
	Dividends per share	2.00 rupees	2.50 rupees	2.50 rupees

Note: EL will reduce its share capital without payment of any consideration by 12,257,688 shares held by ESCORTS BENEFIT AND WELFARE TRUST along with Kubota's investment in EL announced in March 2020 (hereinafter, "First Capital Reduction"). The number of shares outstanding of EL is expected to decrease to 122,576,878 shares from 134,834,566 shares.

3. Overview of Increase of Kubota's Shareholding in EL

Kubota will increase its shareholding in EL by March 31, 2022, by means of the subscription to third-party preferential primary share allotment and open offer bid for EL shares (hereinafter, collectively the "Transaction"). Subsequently, an open offer bid for EL's listed subsidiary, Escorts Finance Limited will be launched for a maximum 26.00% of the shares outstanding, in accordance with the Securities and Exchange Board of India Regulation and other applicable rules (expected acquisition amount: maximum of 51.0 million rupees (approximately 76.4 million yen at an exchange rate of 1.50 yen per one rupee)). The number of EL shares held by Nanda family, the founding family of EL, will remain unchanged through the Transaction. Furthermore, EL plans to commence additional reduction (hereinafter, "Second Capital Reduction") of the remaining 21,442,343 shares held by ESCORTS BENEFIT AND WELFARE TRUST without payment of any consideration after completion of the Transaction

The Transaction is subject to the approval at EL's general meeting of shareholders and from regulatory authorities. Therefore, the actual number of EL shares to be acquired and the timing of completion of the Transaction may vary depending upon various factors, including timing of the approvals, and number of shares tendered in the open offer bid. The transactions will be executed promptly, once satisfying the prerequisites such as approval from EL's general meeting of shareholders and authorization from the regulatory authorities.

4. Number of Shares to Be Acquired, Acquisition Price and Shares Held Before and After the Transactions

(1)	Number of shares held before acquisition	12,257,688 shares (Shareholding ratio: 9.09%)
(2)	Number of shares planned to be acquired	Subscription to the third-party preferential primary share allotment: 9,363,726 shares Open offer bid: maximum of 37,491,556 shares (maximum 26.00% of the shares outstanding)
(3)	Planned acquisition consideration	Subscription to the third-party preferential primary share allotment: 18.7 billion rupees (approximately 28.1 billion yen) (2,000 rupees per share (approximately 3,000 yen)) Open offer bid: maximum of 75.0 billion rupees (approximately 112.5 billion yen) (2,000 rupees per share (approximately 3,000 yen)) Total: maximum of 93.7 billion rupees (approximately 140.6 billion yen)
(4)	Number of shares held after the transactions	After completion of the subscription to the third-party preferential primary share allotment: 21,621,414 shares (Shareholding ratio: 16.39%, shareholding ratio after Second Capital Reduction: 19.57%) After completion of the subscription to the third-party preferential primary share allotment and open offer bid: maximum of 59,112,970 shares (Shareholding ratio: maximum of 44.80%, shareholding ratio after Second Capital Reduction: maximum of 53.50%)

Note 1: 1 rupee = 1.50 yen

Note 2: Each shareholding ratio in (4) above is calculated based on the assumption that First Capital Reduction has been effective.

5. Schedule

(1)	Agreement date	November 18, 2021
(2)	Third-party preferential primary share allotment process	Mid-November 2021 to late February 2022 (planned)
(3)	Open offer bid process	Mid-November 2021 to late March 2022 (planned)

6. Future Outlook

Subsequent to the completion of the Transaction, Nikhil Nanda will continue serving as EL's Chairman and Managing Director, thereby he will work toward the growth of EL's business together with Kubota, pursuant to the shareholders' agreement between Kubota, Nikhil Nanda and other members of the founding family. In addition, after the completion of the Transaction, Nikhil Nanda will be newly appointed to the position of Senior Managing Executive Officer and General Manager of Value-Innovative Farm and Industrial Machinery Strategy and Operations (a newly created position) of Kubota, thereby enabling him to play a role in promoting business expansion with respect to basic machinery including tractors. Also, Nikhil Nanda will be appointed as a Director of Kubota Holdings Europe B.V., a subsidiary which oversees the European machinery business.

Furthermore, subsequent to the completion of the Transaction, subject to the completion of the procedures required under applicable laws and the satisfaction of any other conditions precedent, Kubota Agricultural Machinery India Private Ltd., Kubota and EL's joint sales subsidiary, and Escorts Kubota India Private Limited, Kubota and EL's joint manufacturing subsidiary, each as a merged company, are to be merged with and absorbed by EL, which will be the surviving company.

7. Impact on Business Performance

Financial impact of the Transaction is currently under examination. A comprehensive disclosure will be promptly made should any material information arise as a result of the examination.

< Cautionary Statements with Respect to Forward-Looking Statements >

This document may contain forward-looking statements that are based on management's expectations, estimates, projections and assumptions. These statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. Therefore, actual future results may differ materially from what is forecast in forward-looking statements due to a variety of factors, including, without limitation: general economic conditions in the Company's markets, particularly government agricultural policies, levels of capital expenditures, both in public and private sectors, foreign currency exchange rates, the occurrence of natural disasters, continued competitive pricing pressures in the marketplace, as well as the Company's ability to continue to gain acceptance of its products.

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