

Management policy and priority issues

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May 18, 2011

【Agenda】

- ▶ Review of last fiscal year
- ▶ Prospect for current fiscal year
- ▶ Management policy and priority issues
- ▶ Conclusion



【Market conditions】

- ▶ <Japan> Markets for agricultural machinery and public works related products were stagnant
- ▶ <Asia outside Japan> Markets for agricultural machinery were sluggish affected by the broken weather and price slump of rice, and KBT s falling short of double-digit growth
- ▶ <North America and Europe> Economies were on the way to recovery
 - Remarkable recovery in construction machinery and engine business
 - Market shares of products are in rising trend

【Revenues by regions】

	2011.3	2010.3	Change
Japan	477.9	501.7	-4.7
Asia outside Japan	160.5	148.6	8.0
North America	189.3	174.4	8.6
Europe	75.8	67.8	11.8
Other	30.1	38.2	-21.1



【The Great East Japan Earthquake】

- ▶ Damages on our plants were minor
 - ▶ Damaged plants are working almost as usual
 - < Kubota Corp. > Tsukuba (tractors, engines)
Utsunomiya (harvesters, rice transplanters)
Ryugasaki (vending machine)
Keiyo (ductile iron pipes, steel pipes)
 - < Kubota C-I > Tochigi, Odawara (plastic pipes)
 - < Kubota Air Conditioner > Tochigi (air-conditioner)
 - ▶ Responding to supply deficiency of power and parts is an issue and situations are unpredictable
- ▶ Cope with reconstruction
 - ▶ Expedite reconstruction of city's lifeline by supplying pipes and restoring water and sewage treatment plants, etc
 - ▶ Support revitalization of farming in suffered areas



Restarted distribution of ductile iron pipes
in Tohoku area



Review of last fiscal year

- ▶ Short of ¥1,000 billion revenues due to insufficient growth potential
 - ▶ The earthquake and an appreciation of yen are no excuse for the result
 - ▶ Aim at self-sustaining growth by developing new business and new markets in addition to existing business
- ▶ OP fell below plan
 - ▶ Mainly due to sluggish sales
 - ▶ Although OP margin improved, amount of OP should be more focused on

(¥billion)	2011.3.31	2010.3.31	changes		Variance for plan	
	Amounts	Amounts	Amounts	%	Amounts	%
Revenues	933.7	930.6	3.0	0.3	-26.3	-0.3
Operating income	9.2% 86.1	7.5% 69.7	16.4	23.5	-3.9	-0.6
Net income attributable to Kubota corp.	5.9% 54.8	4.5% 42.3	12.5	29.5	2.8	0.7



【Uncertainties on domestic sales and production】

- ▶ Robust demand in overseas
 - ▶ <Asia outside Japan> Expected to return to high growth track if there were no obstacle
 - ▶ <North America & Europe> Steadily growing demand and revenues increase is expected
- ▶ Production in Japan is a key issue
- ▶ Strong uncertainties on domestic demand
 - ▶ Downside risk of Japanese economy
 - ▶ Difficulty to forecast demand of suffered areas
 - ▶ An increase in the demand from public sector is unlikely
 - ▶ Reconstruction demand is unpredictable at this time



【Forecast for current fiscal year】

- ▶ Earning forecast for current fiscal year is not disclosed at this time and It will be disclosed when reasonable prediction is available



- ▶ Management policies
- ▶ Priority issues
 - ▶ Driving globalization
 - ▶ Developing new markets and new business



- ▶ Adhere to basic policies
 - ▶ Management emphasizing the front lines of business with a focus on technology and manufacturing capabilities
 - Promote R&D for mid-to-long term growth and clarify technical field to focus on
 - Upgrade quality and manufacturing technology and accumulate overwhelming manufacturing capability and proficiency
 - Seek opportunities to enter primary and tertiary industry for supporting existing business or developing new business
 - ▶ Enhance CSR management
 - Give first priority on contribution to helping suffered people and reconstruction of suffered areas
 - Place emphasis on reinforcing the environmental preservation; pursuing diversity management; enhancing internal control system



[Priority issues]

▶ Driving globalization

- ▶ Half of revenues comes from overseas, but overseas production is less than 20%
- ▶ Most of R&D activities are conducted in Japan
- ▶ Domestic-oriented standpoints of business operations and human resource development



- ▶ Globalize all aspects of operations: Production, R&D, Corporate governance, IT, Human resources and so forth

▶ Driving globalization

▶ Establish regional management scheme

- ▶ Set up a regional headquarter in China
 - To promote cross-cutting operation of farm & Industrial Machinery business in response to characteristics by regions
 - To support for Water and Environment System business

<Outline of regional headquarter in China>

Name: Kubota China Holdings Co., Ltd

Establishment : May 2011

Location: Shanghai City

Capital: 73 million US dollar

- ▶ Establishment of regional management scheme in North America and Europe is expected

- ▶ Driving globalization
 - < Accelerate expansion of overseas production >
 - ▶ Gear up for building production bases mainly in Asia
 - ▶ Expand Asian business utilizing production bases in Thailand and China



Completion ceremony of combine plant in Thailand (SKC)

Expanding overseas plants

Country	Product	Status
Thailand	Tractor	March-09 Start commercial production
		July-10 Expand product lineup
	Casting	December-10 Start commercial production
	Combine harvester	December-11 Start commercial production (Projected)
	Diesel engine	October-12 Start commercial production (Projected)
China	Construction machinery	January-12 Start commercial production (Projected)
Saudi Arabia	Cracking tube	February-11 Start commercial production

- ▶ Production of tractor in U.S. is probable



- ▶ Driving globalization
 - ▶ Localize R&D
 - ▶ Enhance R&D capabilities in North America and Thailand
 - To promptly reflect customer needs in product development in major markets
 - ▶ Promotion of locally-hired persons and localization of management
 - ▶ Locally-hired persons were appointed as president in retail finance subsidiary in U.S.A. and sales subsidiary in Canada in last fiscal year
 - ▶ Reinforce global procurement function
 - ▶ Rebuild global IT system

▶ Developing new markets and new business

- ▶ Up to now steady performance and high profitability has been realized by developing niche markets and boosting market shares in such markets
- ▶ Going forward, try to enter major markets where dramatic growth is expected
- ▶ Recognize business areas related to “Food”, “Water” and “Environment” as long-term growth fields and develop new business in such fields



Combine harvester (Conventional type) :
for harvesting rice, wheat and rapeseed.



Demands for water infrastructure in emerging
countries are brisk (Photograph in India)



▶ Developing new markets and new business [Water & Environment System]

- ▶ Develop Water & Environment System business in China
 - ▶ Wastewater reclamation business with membrane technology
 - Kubota Guozhen Environmental Engineering (ANHUI) Co., Ltd. (controlling share : 50.5%)
 - Kubota Environmental Engineering (SHANGHAI) Co., Ltd. (controlling share : 100%)
 - ▶ Pump business for water treatment
 - Anhui Kubota Sanlian Pump Co., Ltd. (controlling share : 70%)
- ▶ Set up "Water & Environment Innovative Research Laboratory"
 - To support development in Water & Environment System business in Asia outside Japan



Signing and groundbreaking ceremony of Kubota Guozhen Environmental Engineering (ANHUI) Co., Ltd. (China)



- ▶ Developing new markets and new business [Farm & Industrial Machinery] - North America and Europe -
 - ▶ Focus on medium- to large-sized farm machinery for fields
 - ▶ Upward trend in market share of medium-sized tractor (40 ~ 100hp) in U.S.A.
 - ▶ Large-sized machinery is necessary for entering farm machinery market for fields
 - ▶ Challenge for new markets in construction machinery business
 - ▶ Develop peripheral market in addition to CTL launched in 2010
 - ▶ larger-sized diesel engines are fundamental



Intend to enter promptly without persisting in self-developed products

Technical collaboration, M&A are in the options



- ▶ Developing new markets and new business [Farm & Industrial Machinery] - Asia -
 - ▶ Expansion of product lineup
 - Expand sales of conventional-type combine harvesters in Thailand, China, Vietnam, India and other countries
 - ▶ Geographical expansion of business operations
 - Laos, Myanmar, Cambodia
 - Indonesia
 - Philippines
 - China (expansion of tractor sales)



PRO688Q (for China) : Conventional-type combine harvester for rice and rapeseed

- ▶ Developing new markets and new business [Farm & Industrial Machinery] - Japan -
 - ▶ Watch changes resulting from the Great East Japan Earthquake
 - ▶ Pay attention to changes in farm industry in Japan
 - ▶ Seek new business by utilizing relationship with Japanese farmers in mid-term
 - ▶ Strong relationship with farmers is our intangible assets



Contribute to revival of farm industry
in Japan

- ▶ Business environment surrounding Kubota is extremely uncertain
- ▶ Driving globalization is fundamental
- ▶ Meanwhile, Kubota is responsible for customers, employees and local communities in Japan

For Earth  For Life

Challenge for dramatic growth with keeping balance of domestic and overseas business



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