

# Basic management policy and priority issues



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# 【Agenda】

1. Review of last fiscal year
2. Prospects for current fiscal year
3. Basic management policy
4. Priority issues
5. Conclusion



# 1. Review of last fiscal year

## ▶ Japan

- ▶ Sales of AG machinery and public-related products increased.  
Sales of construction machinery and engines expanded substantially.

## ▶ Overseas

- ▶ Asia: Sales of AG machinery returned to a growth track
- ▶ North America: Sales of tractors and engines increased.  
Sales of construction machinery increased substantially.
- ▶ Europe: Sales of tractors and construction machinery stagnated due to the decline in demand and a higher yen.

### 【Revenues by region】

(Billion yen)

	2013.3	2012.3	Changes(%)
Japan	541.0	498.7	8.5
Asia outside Japan	204.2	169.6	20.4
North America	263.2	219.9	19.7
Europe	118.7	88.7	33.8
Ex. Kverneland	83.9	88.7	-5.4
Other	40.5	31.1	30.3
Total	1,167.6	1,008.0	15.8



# 1. Review of last fiscal year

- ▶ Revenues exceeded historical high of Mar. 2008 and returned to the level of pre-Lehman crash.
- ▶ OP showed only single-digit growth, mainly due to lump-sum expenses.

(Billion yen)	2012.3.31	2012.3.31	Changes		Variance from plan	
	Amounts	Amounts	Amounts	%	Amounts	%
<b>Revenues</b>	<b>1,167.6</b>	<b>1,008.0</b>	<b>159.6</b>	<b>15.8</b>	<b>7.6</b>	<b>0.7</b>
<b>Operating income</b>	9.7% <b>113.2</b>	10.5% <b>105.7</b>	<b>7.5</b>	<b>7.1</b>	<b>6.2</b>	<b>5.8</b>
<b>Net income</b> attributable to Kubota Corp.	6.3% <b>73.7</b>	6.1% <b>61.6</b>	<b>12.1</b>	<b>19.7</b>	<b>5.7</b>	<b>8.4</b>

\*OP=Operating income



### Market conditions are almost as steady as ever.

#### ▶ Japan

- ▶ AG machinery: We intend to keep growing even in uncertain market conditions.
- ▶ Public works: We will focus on increasing sales to meet reconstruction demand due to the earthquake.

#### ▶ Overseas

- ▶ Asia: We intend to increase revenues in Thailand and China, and surrounding countries.
- ▶ North America: Competition is harsh in a steady market. We will strengthen product and promotion strategies.
- ▶ Europe: Difficult to expect major recovery in demand. However, our performance will improve due to the weaker yen.



## 2. Prospects for current fiscal year

- ▶ Revenues will increase substantially mainly due to the cheaper yen.
- ▶ We will also focus on expanding in new markets and regions.

(billion yen)	2013.3 (Forecast)	2012.3 (Results)	Variance
Revenues	1,400.0	1,167.6	19.9% 232.4
Operating income	11.4% 160.0	9.7% 113.2	41.4% 46.8
Net income attributable to Kubota Corp.	7.1% 100.0	6.3% 73.7	35.7% 26.3



## ▶ Basic management policy

- (1) Attain major growth
- (2) Reform business operations

## ▶ Priority issues

- (1) Develop growth driver businesses
- (2) Globalize management
- (3) Develop new businesses in Japan
- (4) Strengthen technology development to attain sustainable growth



## (1) Attain major growth

Outperform market growth in the fields of food, water, and the environment

▶ Develop growth driver businesses



Attain major growth in the medium term

**Target revenues are 2,000 billion yen**





## (2) Reform business operations

### Transition to global operations

- ▶ Drastic changes from the viewpoints of manufacturing, sales & distribution, R&D, business operations, human resources

**Year to usher in dramatic growth**



## (1) Develop growth driver businesses

### ① Full-scale development of large-scale agricultural machinery business for dry-field farming

- ▶ World area of dry-field farming is 7 times to wet paddy area.
- ▶ Necessary to expand our geographic coverage
- ▶ Develop dry-field farming business by integrating Kverneland
- ▶ Extend large-scale product lineup



Current highest horse power tractor (135hp) for U.S. market



Tractor implement for corn seeding (Kverneland)



# 4. Priority issues

## (1) Develop growth driver businesses

### ② Develop water and environment business in Asia outside Japan.

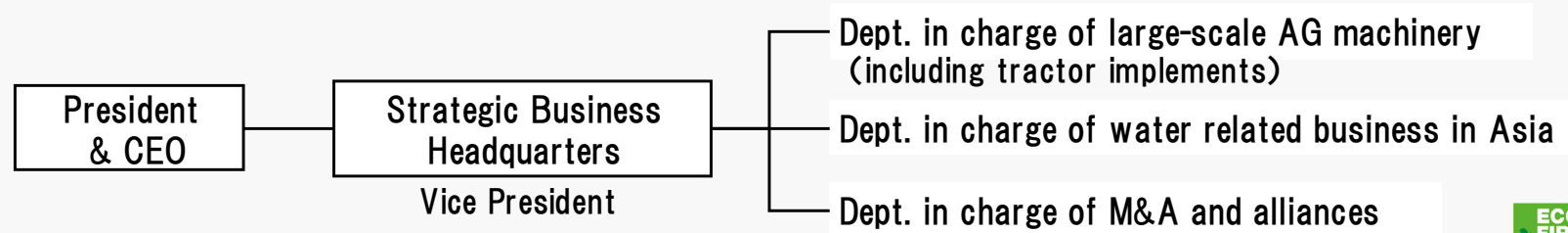
- ▶ Promote business with Asian subsidiaries of Kubota Kasui and existing subsidiaries in China
- ▶ Withdraw from manufacturing ductile iron pipes in India from the viewpoint of profitability



Effluent treatment and biogas recovery system for palm oil plant in Malaysia (Under construction)

## Established Strategic Business Headquarters

- ▶ Form task force to implement initiatives



## (2) Globalize management

### ① Strengthen marketing and R&D activities in each region

- ▶ From “niche player” to “major player”
- ▶ Obtain competitive edge by adapting thoroughly to local needs and conditions

### ② Expand business network

- ▶ Potential of small and medium-sized AG machinery market is still large
- ▶ Growth regions: Increase dealer network for AG machinery, engines and construction machinery (China, Southeast Asia, South Asia)
- ▶ New regions: Develop sales channels over the next decade (Africa, Russia, South America, etc.)



## (2) Globalize management

### ③ Upgrade global manufacturing systems

#### ▶ Expand local production

- ▶ Improve capabilities (quality, cost and delivery) of brand new plants and enhance collaboration among plants
- ▶ Promote local production concurrently with local R&D

【Recently built of overseas production sites】

Country	Products	Start of production
Thailand	Diesel engines	From Oct. 2012
	Hydraulic components	From Jan. 2014 (Projected, new plant)
China	Construction machinery	From Aug. 2012
	Diesel engines	From July 2014 (Projected)
U.S.A.	Tractors	From Jan. 2013
Canada	Brake pad materials	From June 2013 (Projected)

#### ▶ Established Procurement Headquarters

- ▶ Established procurement subsidiary overseas
- ▶ Formulate inter-divisional procurement functions



## (2) Globalize management

### ④ Strengthen global management and corporate governance

- ▶ To make rapid decisions, appropriate for various local conditions
  - ▶ Delegation of authority and appointment of local human resources to positions of management responsibility
  - ▶ Recruit and develop human resources to work globally
- ▶ Enhance corporate governance
  - ▶ Establish operational framework and systems
  - ▶ Adopt uniform management and proper sharing of management resources
- ▶ Infuse and share our “Kubota Global Identity” (as our “Shared Values”)



## (3) Develop new businesses in Japan

### ▶ Revenue recovery was supported by recovery of Japanese business

⇒ And we will keep improving Japanese business by eliminating of less-profitable business and creating new business opportunities.

### ▶ Structural reform through expanding peripheral businesses

#### ▶ Agricultural field:

Develop business model to contribute to the farm business as a whole (streamlining of farming and introducing new farming methods and management)

#### ▶ Public-sector business fields:

Enhance business capabilities to win business subcontracted to the private sector.



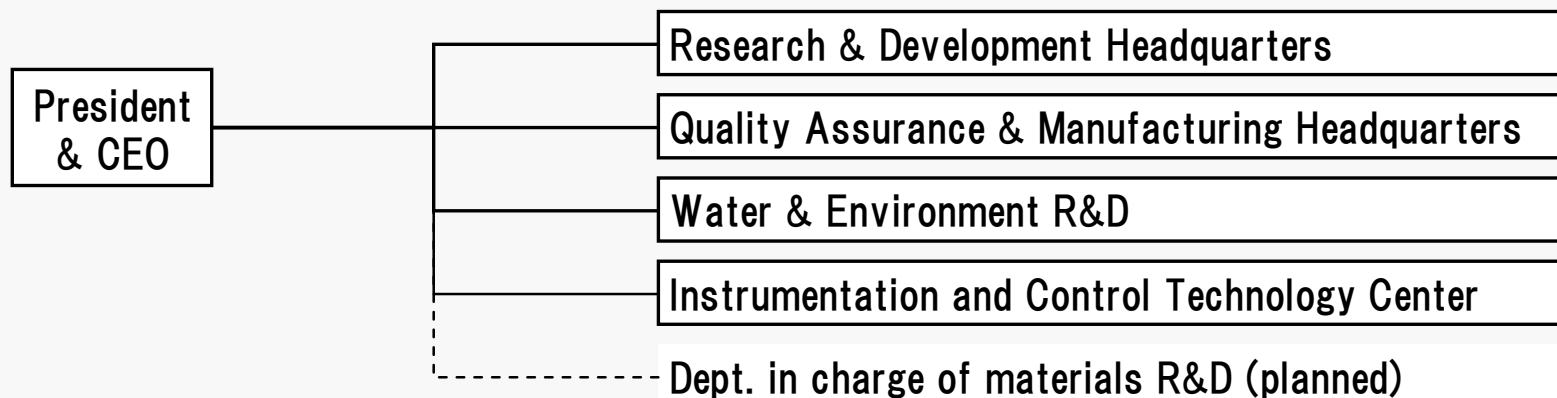
Iron coating process for rice seeds  
– Rice growing method with iron-coated rice gradually recognized for Japanese farmers as a low cost method –



# 4. Priority issues

## (4) Strengthen technology development to attain sustainable growth

- ▶ Strengthen development of future-oriented technology
- ▶ Headquarters technology units implement initiatives related to core themes for sustaining growth
- ▶ Enhance competitive edge of Kubota technology and establish systems to use it efficiently in the Company.





## Attain major growth in the medium term

- ▶ Become a major manufacturer of agricultural machinery for dry-field farming
- ▶ Develop a presence in the water-related business market in Asia outside Japan
- ▶ Bring Japanese business onto a renewed growth track



**Do not insist on in-house development  
and/or technology**  
(Think of collaboration and M&A as options)

## Cautionary Statements with Respect to Forward-Looking Statements

These documents 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, in both public and private sectors, foreign currency exchange rates, continued competitive pricing pressures in the marketplace, as well as the Company's ability to continue to gain acceptance of its products.





**For Earth, For Life**  
**Kubota**

