

Top Message



To be a truly global company,
we will strive to embody the
“One Kubota” concept and
achieve sustainable growth.

Yuichi Kitao

President and
Representative Director,
Kubota Corporation

Setting new records for revenue and operating profit

For the fiscal year ended December 31, 2023, the Kubota Group's revenue reached 3,020.7 billion yen, setting a new record for the second year in a row and passing the symbolic 3-trillion-yen milestone. Operating profit for the year also set a new record, at 328.8 billion yen.

Last year was a year of reforms to accelerate our overseas expansion, in which we in the Kubota Group came together to promote our drivers of growth, and focused our energies on reviewing our product and business portfolio, and this was born out in this excellent business performance. Of particular note was the expansion of sales of construction machinery in North America, which has steady demand for the housing market, and the contribution of Escorts Ltd. (currently Escorts Kubota Limited), the Indian company we made a consolidated subsidiary in 2022.

Looking back at the last two years, in 2022 operations

were inefficient due to external factors such as soaring material prices and logistics disruption, and the increased revenue we achieved was swallowed up by higher costs. In 2023, however, measures to address these higher costs—such as enhancing our business structure or revising our prices—went to plan, and the breadth of the material cost problem narrowed, which alongside the weaker yen helped to increase both revenue and profit. As high costs were gradually absorbed, we started to see the effects of our initiatives to raise profit margin. By fiscal 2023, operating profit contribution totaled 33 billion yen, and profit margin improved as a result.

When we compare our business performance for fiscal 2023 with pre-pandemic 2019, we can see that both revenue and operating profit have grown by about 60%, and that by steadily working on the targets of our Mid-Term Business Plan 2025 we have achieved sustainable growth.

Maintaining the highest level of business performance in 2024, while strengthening our supply chains

Forecasts for the market situation in fiscal 2024 from the International Monetary Fund (IMF) suggest that the global economy will grow 3.1%, while it predicts the growth rate for the U.S. economy will decelerate. As such, we are paying particular attention to the market situation for our Farm & Industrial Machinery business, which accounts for more than 80% of our revenue. In North America, we believe that sales of new-build detached houses in the U.S. will continue to grow steadily, so we predict that our CTLs—used for preparing the ground at construction sites or transporting soil—will keep a good demand, and so we forecast securing similar sales figures for construction machinery business as in the previous fiscal year.

In Europe, meanwhile, the construction machinery business may become a shrinking trend in demand as an obviously diminishing desire to invest due to higher interest rates. We also predict that the tractor market there will continue to be weak. In Asia, while there is likely to be weakness in some areas, such as due to droughts in Thailand or lower subsidies in China, we predict that India will see gentle growth. As a result of the above, business performance for the fiscal year ending December 31, 2024 is forecast to result in revenues that slightly exceed those of the previous fiscal year in segments both the Farm & Industrial

Machinery business and Water & Environment business. We therefore predict growth of around 1% in the aggregate. For operating profit, while it should increase through factors such as raising product prices and fluctuations in exchange rates, the cost of materials continues to worsen, among other factors. Therefore, excluding transient factors of increased profit last year, we expect operating profit to be nearly the same.

In terms of business risks, supply chain disruption resulting from geopolitical risks continues to pose a threat. As most of the CTLs that are selling well are actually produced in Japan and exported to the U.S., we are currently transferring production bases to the U.S., among other efforts to mitigate product supply risks. We continue to take geopolitical risks into careful consideration, and so, we are moving ahead with our initiatives—building up a safe inventory levels, which is for preparations just in case, and a twin-base production system, which is set up by returning producing of core products to Japan. We also continue to switch to a system that allows us to manufacture by local affiliates worldwide which can manage to do by themselves, to strengthen our efforts toward local production and consumption. Through these initiatives, we are developing robust supply chains, while also minimizing lead times.

Accelerating global expansion to achieve the Long-Term Vision “GMB2030”

With the Long-Term Vision “GMB2030,” we have outlined our aim of becoming an “Essentials Innovator for Supporting Life” by developing new solutions and expanding existing

businesses. In the latter, one of our main initiatives is opening up the Indian market.

We got our start in the market in 2008 when we established the local subsidiary Kubota Agricultural Machinery India Private Ltd. Since then, we have imported and sold tractors and other agricultural machinery there, most of which was manufactured in Southeast Asia. Looking back at that time, I remember visiting India in 2006 as the general manager of the Tractor Engineering Department, just as we were starting on a full-scale entry into the Indian market. Since then, I have traveled between India and Japan countless times. When we first entered the market, it was still normal for rice farmers to plant seedlings in their paddies by hand. One lasting impression is the feedback we received from rice paddy farmers saying how convenient it was after they introduced Kubota tractors and used them to carry out the normally arduous work of tilling the soil of paddy fields. We felt triumphant—if we could bring our lightweight, compact tractors to the market, we would significantly increase our market share—and yet it was not that easy, and sales were very difficult for many years. The reasons for this included the different way in which tractors were used in the Indian market, the very different levels of durability farmers there demanded, and the costs of transporting products manufactured in Thailand into India.

That lead us to investigate the possibility of manufacturing

products there in India domestically. However, before we could do this, we needed to construct a local supply chain for components and parts, and this likewise proved challenging, and dealing with the twists and turns this threw up took time. Therefore, we decided to set up a joint venture with Escorts Ltd., an Indian company with an existing supply chain and an ability to manufacture products competitively in a lower price. By doing so, we had finally found our path into the Indian tractor market, the world’s biggest by unit sales. In 2022, we made since renamed Escorts Kubota Ltd. our consolidated subsidiary; accelerated our global strategy centered on India; and continued to increase export opportunities from India to Europe.

In the ten years or so since we entered the Indian market, the percentage share remained in the single figures, but as of 2023 the Indian market share for the entire Kubota Group grew to around 12%. Looking to the future, our goal is for the combined share held by Kubota Corporation and Kubota Escorts to double by 2030, and thinking beyond the domestic Indian market, we hope to accelerate global markets expansion by exporting our relatively low-priced basic function tractors from India to Europe, North America, and new markets such as Africa.

Initiatives to earnestly respond to feedback from customers and dealers that Kubota has always valued since its establishment

The model we have followed in the opening up of the Indian market is actually that of a Japanese car manufacturer. The company was quick to enter India back in the 1980s, and through joint ventures with local companies, it nurtured homegrown component manufacturers, and broke its way into the market through high-quality manufacturing. Likewise,

we, at the Kubota Group, looked to learn from the company and strove to construct a high-quality supply chain while keeping low cost.

However, the Kubota Group also has its own advantage it can bring to bear: sales activities and after-sales services that closely provide to local customers and dealers. While some of our competitors have developed a sales activity of specializing in wholesaling, we have always valued having a ready ear for the problems that our customers and dealers face and have aimed to resolve these so as to grow together—i.e., market-oriented activities. This sense of values of earnestly responding to customers’ issues is backed up by long tradition, and is the epitome of the spirit of “On Your Side” that I treasure. This is not just limited to our business in Japan, it is a universal spirit that has spread to all Kubota Group companies around the world. For instance, Kubota Tractor Corporation (KTC), a sales subsidiary in the U.S., values its concept of “Listen to the dealer,” which forms the basis for its sales activities.

It is not just sales departments in each region of the world that take on board customer or dealer feedback though, the same is true of our R&D departments. Where necessary, we



Tractor assembly lines at Escorts Kubota Ltd.

dispatch employees to the local area to listen to the opinions of those who live and work there, even when critical, and work to sincerely tackle the problems they bring up. The riding lawn mowers and utility vehicles that have proven such a big hit in North America were actually born out of this “Listen to the dealer” mindset.

We will continue to prioritize these kinds of market-oriented activities in the Indian market through activities that closely provide to customers and dealers, as we try to carve out a steadfast position as a brand that can be trusted. The competition for basic function tractors is ruthless among price-competitive Indian manufacturers and competitors from China or South Korea. Therefore, the various companies of the Kubota Group will demonstrate their individual strengths, and combine their energies to construct development and manufacturing bases and establish a competitive advantage in the Indian market.

Going forward, we expect to see the basic function tractor market expand in India, but also in Europe and Africa, and so by making India an export base, we will make steady

progress—one step at a time—toward becoming Global Major Brand Kubota.

The key to whether we become this kind of truly global company and achieve our goals or not is the extent to which we can demonstrate the strengths that we have cultivated over more than 130 years and what sets us apart from our competitors. Taking agricultural and construction machinery as an example, while our competitors may be stronger in large-sized machinery, we have been praised the world over for our compact machines with their maneuverability in a small space. Many applications rely on this kind of compactness, so this is one strength our competitors lack.

We manufacture and supply a lineup of tractors, but also various implements that can be attached to them. Proposals for different implements that provide to the varying agricultural needs of each region are important, and this is an advantage we have to differentiate ourselves from our rivals. In the future, to contribute to greater agricultural productivity, we will give serious consideration to the roles our tractors and implements should fulfill.

Promoting innovation from R&D investment and collaboration with global partners

As we work on the business operation structure reforms that we included in Mid-Term Business Plan 2025, we recognize how important it is to promote unique Kubota’s ESG management, as summed up in the plan’s concrete initiative to develop business operations that shift ESG to the core of management. In the years to come, there will only be so much we can do to address social issues through our products alone, and so a business operation structure that can provide total solutions in the Farm & Industrial Machinery business as well as the Water & Environment business is needed. As we approach 2030, we have stated our intention to be an “Essentials Innovator for Supporting Life” and I do not want us to limit ourselves to just providing products and machinery, but to found a platform that can support the entire industry, and to be a company that can help to improve customers’ productivity and other issues.

To do so, it is vital that we expand beyond initiatives

where we are going it alone to cooperate with outside organizations. Over the last ten years, in addition to our M&As and investment in start-ups, more recently we have been focusing our energies on encouraging innovation, such as by investing in start-ups in the U.S.’s Silicon Valley with those strengths in AI or in battery development start-ups. Going forward, it is also important for us to focus on regional specifics, so by investing in things that benefit that region, we will encourage the reforms we need to shift to an operation structure that allows us to respond to globalization.

In January 2024, we exhibited for the first time at the Consumer Electronics Show (CES), which was held in Las Vegas, in the U.S. In this day and age, when collaboration must straddle different industries, we expect that attending such trade exhibitions will help us with open innovation with companies that possess AI and other cutting-edge IT technologies.

Accelerating the pace of operation structure reforms

This is something I also mentioned in my message last year, but I really do think we need to build a truly global management structure. Delays in decision-making and operational inefficiencies are inevitable if a conventional

Japanese style operation is carried on, such as a Japanese manager is appointed to bases in each region to act a director there. To prevent this, we are coming at it from two directions: having local leaders run operations (as we now

see at Escorts Kubota Ltd.) while also having our Japanese managers learn about global ways of thinking and smooth communication to achieve efficient operations suited to the situation on the ground in each country.

To train and appoint human resources with global perspectives, in 2023 we invited 40 local leaders, mostly from Europe and North America, to Japan, where we deliberated the ideal vision for corporate management. In addition, a HR director from North America has stationed at our head office in Japan, working to encourage collaboration across regional boundaries. Diversity & inclusion is also the point we are firmly working on from a medium- to long-term perspective, and we will try to foster a corporate culture befitting the times.

During our efforts to develop market-oriented activities that closely provide to customers and dealers, all employees from R&D, production, sales, and indirect divisions have joined together—a true example of One Kubota—and taken on various challenges. In 2024, we are launching numerous

new innovation projects, and we hope to speed up reforms to our business operation structure.

Going back to 2022, we established Kubota Global Institute of Technology (KGIT) to promote cooperation between our global R&D system and to strengthen product development and the development of forefront technologies. With the institute, we have brought together various product engineering departments, but also the fundamental technology departments that carry out research and analysis into materials, the quality assurance and procurement departments needed for advanced research into commercialization, and the development management and promotion departments that support all of the above. By doing so, we have put in place a structure that enables us to more quickly provide customers with products and solutions that offer even greater added-value. I really feel that it has encouraged better communication between researchers, and I hope to see further results in the form of new value and shorter lead times.

80% of revenue. As such, we need to expand renewal and maintenance businesses. One issue is that the number of personnel in public works able to maintain and repair water or sewage systems is dropping. Therefore, we need to make use of ICT and similar to ensure that maintenance, management and inspections are carried out efficiently. Kubota first began its development of cast iron water pipes in the 19th century as our founder realized the growing need for water facilities in light of the spread of water-borne diseases. The company was successful in mass-producing these, something that had previously proven very difficult in Japan of the time, and this made a significant contribution to the development of a modern water system. In more than 130 years since then, we have continued to polish our water and environment solutions. Now, as safe food supplies and securing water become more challenging, Kubota will once more help to make people's lives better.

In food, water, and the environment, one aspect that I have newly focused on is how we process waste. We are now working to resolve social issues by providing resource recycling solutions that make use of our strengths, such as the melting technologies we have gained through our processing of waste and treatment of sewage sludge. One example is the waste processing work we have been doing

at the Futaba-machi Volume Reduction Facility in Fukushima Prefecture in Japan, and we have been highly commended for the processing techniques we use for irradiated waste. We predict that we can develop our resource recycling solutions business to be worth around 10 billion yen in the future.

To achieve a more sustainable society where we live in harmony with nature through links between food, water, and the environment, we have announced the Kubota Smart Village concept. This idea involves the foundation of a sustainable platform that can enable food production, distribution, and sales, as well as water purification and reuse, processing of waste, and recycling.

This also incorporates initiatives aimed at bringing about carbon neutrality. Each year, Japan produces around 1.12 billion tons of CO₂, and about 50 million tons of this comes from agriculture. Most of this is methane or nitrous oxide generated in the soil. We are working with universities and other entities to research technologies that can help to restrain these emissions. First, we are establishing the technology here in Japan, our home market, and we will then roll it out to countries such as India and Thailand that also have large areas of rice paddies.

Looking to become a Global Major Brand but with a careful eye toward the future

In the medium to long term, the business environment will change as the world populations surpass the 8-billion mark, and the Kubota Group's role in helping to improve food yields will become more and more important. At the same time, there are fears that climate-related problems will get worse. We, at the Kubota Group, have to take this situation into account, and make it our mission to move forward with efforts to mechanize and smartify agriculture in order to resolve the varied issues facing developed and developing nations.

By promoting the spread of agricultural machinery such as basic function tractors in the Global South, in countries where high growth is expected like India or African nations, our role is to help resolve food issues in each region and improve the lives of all those who work in agriculture. We believe that in this regard, we can put to good use the experience we gained in opening up markets in Thailand and elsewhere in Southeast Asia. Addressing environmental and social issues through our business is an integral part of our heritage since the time of our founding and holds an unshakeable position in our efforts to achieve sustainable growth as a global company.

As part of the work that we are doing to smartify agriculture, we are rolling out the Kubota Smart Agri System (KSAS), which supports farm operations and service to help resolve issues that come up during farm management, and so far, more than 20,000 farmers in Japan are using the system. In the future, we hope it will support more farmers as a farm management platform and lead to greater revenue.

We are also implementing initiatives with a focus on the future one after another, including through participation in trials aimed at accelerating the development of smart agriculture.

In the construction machinery market, the number of buildings being constructed is rising as urbanization advances and so demand for the compact construction machinery that we are so good at is set to expand. By 2030, the compact construction machinery market is forecast to grow to 3,000 billion yen, so we set ourselves the goal of revenue in the construction machinery business of 1,000 billion yen. As part of that, we aim to establish a production site in North America and to expand our product lineup there. For CTLs, which are keeping a good demand, we have found ourselves behind our competitors in the number of models we offer, and by expanding development and production sites in North America we will continue to increase our model lineup. Similarly in Thailand, where urbanization is also progressing, demand for compact construction machinery is growing and we are concentrating on sales.

In 2023, 45% of our total production was carried out outside Japan, and we will continue to develop systems that promote local production for local consumption in each region of the world and to speedily respond to each region's needs.

In the Water & Environment segment, there is a limited growth in demand in Japan, which accounts for more than

A company that addresses social issues as One Kubota, and values employee engagement

Lastly, I will tell about human capital that is the most important element for an organization to achieve innovation. The results of our very first employee engagement survey did not reach my expected level, and so I have focused on improving engagement. As part of this, we have worked to organize the company where every single employee feels motivated and able to grow. For example, to create a culture of dialogue, we started holding town hall meetings to encourage communication, and to have a forum for management and younger employees to express their thoughts to each other.

As a child, I was very taken with comics such as "Astro Boy," and I dreamed of becoming a robotics scientist when I grew up. Today, my dream is slowly being realized in technologies such as automated operations for agricultural machinery. In the coming age, we will work to resolve social issues by creating new value, and a vital driving force behind this is the desire and dreams of each individual. For that reason, it is imperative that we are an organization where each employee has a dream and can pursue that in their work.

From now on, too, we will continue to value One Kubota and On Your Side within the Kubota Group, and alongside this, by collaboration with both people inside and outside the Group, we will earnestly address social issues and endeavor to provide the value that we alone can offer. It is greatly appreciated if we obtain our stakeholders' continued support in accompanying us on the path to the future.



Town hall meeting held at KGIT