

One year has passed since you assumed the duties of president.

Looking back, how would you assess your first year?

Since it was expected that the Company's results of operations would worsen drastically accompanying a prolonged sluggish economy and other reasons, we have set a target to streamline all the Company's operations, which is to be accomplished within the three years from the year ended March 31, 2000 to the year ending March 31, 2002. Through such efforts, the Company is progressing to recover profitability and to strengthen its financial structure. To put it concretely, we have been implementing short-term measures aimed at securing profits and strengthening our business structure. These measures include reducing the number of employees, partly through such steps as implementing a system of extraordinary additional payments for voluntary early retirement as well as reducing general and administrative costs.

First, we have worked to reduce personnel expenses—which significantly affect fixed costs—focusing these efforts on employee reductions. In our non-consolidated operations, our immediate target is to trim our workforce by 2,000 employees, from 15,500 as

of April 1999 to 13,500 by April 2002. Our employee-reduction plan is progressing smoothly, and we are on target to reach our objective through the recently introduced early retirement special payment system. On a consolidated basis, as well, each company in the Kubota Group is making similar employee reductions, based on their own management plans. As our workforce is streamlined, it is imperative that the remaining personnel, especially in administrative divisions, work more efficiently to compensate for these staff reductions. Although we require no additional personnel at the moment, we are nonetheless hiring a small number of new employees to invigorate our operations internally.

Regarding general and administrative costs, we are progressing to achieve our target of a 30% reduction in total costs by extensively reviewing our business affairs.

Through these two measures—reducing our workforce and administrative costs—we aim to prune costs by ¥5.0 billion annually over the three-year period spanning fiscal 2000 to fiscal 2002, reducing costs by a total of ¥15 billion compared with fiscal 1999 levels.

Many Japanese companies are carrying out their operations in accordance with the theme "selectivity and concentration." With Kubota involved in a particularly diverse range of business activities, what are your views on the Company's future business composition, particularly from the perspective of raising asset efficiency and enhancing enterprise value?

As you just mentioned, Kubota is engaged in an extremely diverse range of businesses. The Company boasts a relatively balanced business composition consisting of activities in the public, private, and agricultural sectors. To the present, this business composition has provided Kubota with a strong structure that can withstand changes in the economic environment. In recent years, however, the business landscape has evolved at a pace never seen before, and Kubota is now operating in an era in which achieving growth in every business category is unlikely. In view of this reality, Kubota must

discard such past notions as protecting every one of its diversified businesses and raising its overall capabilities and instead focus on "shaping up," or streamlining its business structure. In line with these efforts, I have divided the Company's businesses into three categories, which will allow the mission of each business category to be clarified and enable the Company to prioritize the methods of allocating management resources. We intend to implement the most effective measures for each of the three business categories.

Could you provide specific details on these three business categories?

The first is our “Core Businesses” category, which primarily encompasses our domestic farm equipment, ductile iron pipe and other pipe-related businesses, and pumps. Although the markets for these products are unlikely to experience rapid growth in the years ahead, Kubota is extremely competitive in these fields, which serve as a foundation for stable revenues. By maintaining or further enhancing its competitiveness in these

fields, Kubota will work to generate stable income and expand its cash flows. These “Core Businesses” will also function as a base for achieving growth in our “Strategic Businesses” as well as for rebuilding our “Reviving Businesses,” which I will now discuss.

The second is our “Strategic Businesses” category, which mainly includes the overseas operations for tractors and engines as well as our environmental control plant business, fields in which Kubota is highly competitive. Markets in these business sectors are also expected to grow sharply in the future, and we plan to strengthen our operations in these fields, viewing them as “Strategic Businesses” and thereby expand our profits. Businesses in this category will serve as the driving force of Kubota’s growth. For a more in-depth discussion about Kubota’s businesses in these sectors, please refer to the interviews with the general managers of these sectors contained in this annual report.

Last is our “Reviving Businesses” category, primarily building materials and housing as well as industrial castings. These businesses are encountering harsh business conditions because of increasing competition. Nonetheless, we will undertake extensive measures to quickly revive these businesses with Companywide support.



Yoshikuni Dobashi
President and Representative Director

We hear that you have also categorized the Company’s operations from a different perspective. Would you please explain these categories?

From the perspective of production methods, I also categorize our businesses as “assembly-type” and “process-type” businesses. Representative of our assembly-type businesses are our farm equipment operations. Because these businesses have had to overcome such challenges as harsh competition from

overseas companies and the appreciation of the yen, productivity in these sectors is rising to extremely high levels. In contrast, such process-type businesses as pipe and fluid systems engineering as well as building materials and housing are relatively less productive and thus offer ample latitude for improvements. With this in

mind, I have therefore directed process-type businesses to implement various measures for achieving a 20% increase in productivity over a two-year period without making large-scale investments. These efforts are

already yielding important results, and I am confident that enhanced competitiveness in these businesses will translate into higher productivity Companywide.

Could you outline the specific measures you are taking as you aggressively reduce interest-bearing debt?

We began reducing our interest-bearing debt with the purpose of raising our credit rating. Although Kubota currently boasts a credit rating of A+ from a domestic credit rating institute, the Company aims to improve this rating to the previously held AA, which will enable funds to be raised on even more advantageous conditions. To attain this objective, we are taking such measures as improving the efficiency of funds for the parent company and its major domestic subsidiaries through Group

financing; selling marketable securities; shrinking inventories; constraining capital expenditures; and decreasing cash and cash equivalents (concurrently establishing a line of credit with certain banks to secure liquidity). By downsizing our assets in this manner, we plan to reduce interest-bearing debt by ¥100 billion, from ¥430 billion at the end of March 1999 to ¥330 billion at the end of March 2002.



Japan will shift from non-consolidated to consolidated accounting standards.

What impact will this have on Kubota's management approach?

Kubota has been preparing its consolidated financial statements in accordance with United States Generally Accepted Accounting Principles for about 30 years, and we believe that continuing to do so in the future is essential. Our management approach will thus emphasize fortifying consolidated operations. In our consolidated operations, for example, we are strengthening inventory management and pruning overall distribution costs, while achieving speedy decision making by

rapidly obtaining information from subsidiaries. We also aim to raise the enterprise value of the entire Kubota Group by increasing synergies among our businesses in each field, including subsidiaries. Turning to finance, in February 2000 we began Group financing for the principal domestic Kubota Group companies and are reducing fund-raising costs for the entire Group as well as lowering interest-bearing debt, both as just mentioned previously.

You have explained management issues, countermeasures, and the outlook for Kubota's businesses. In terms of management style, what areas will you emphasize in the future?

I will emphasize speed in carrying out operations. Specifically, we plan to redefine the functions of our Innovation and Strategy Committee, which is composed of a small number of senior Board of Directors' members, in line with efforts aimed at "speedy decision making." This committee will deliberate such important issues as the restructuring of our businesses as well as large-scale capital investment. Kubota will also revamp the structures and fortify the functions of the administrative departments at Company headquarters and raise

"implementation speed" by building a flat organization. In addition, we will reshuffle administrative departments that can better provide strategic advice to the top management and more accurately support each business division. For the research and development headquarters, we will establish a structure to more effectively support our business divisions. Based on the idea of undertaking R&D close to our business sectors, we will establish stringent research areas and delivery periods.

Finally, as the next century approaches, how are you planning to change Kubota into an ideal company in the future? To attain this goal, what approach should be taken by the management and employees of Kubota?

As I stated previously, by prioritizing the allocation of management resources in each business category and strengthening and speeding up our consolidated management, we aim to become a company that can respond flexibly to the evolving needs of the times and provide high enterprise value for our shareholders. To achieve such objectives, I believe it is essential that each manager and employee reform his or her Company awareness and I have formulated five basic policies for doing so. These will function as the Company's path in the next century, and I will serve as the starter. I hope each manager and employee implements these

measures from a comprehensive perspective. We are working to realize "Active Kubota, Changing Kubota" by combining the potential power of all members of the Kubota Group.

1. Aim to become a company acclaimed by society
2. Continue to respond promptly and accurately to customer needs
3. Approach all situations from a future-oriented perspective
4. Create a free and generous workplace environment
5. Value people in the true sense of the word by implementing a fair and stringent ability-based culture