

An Interview with the President

Could you explain your work history at Kubota?

Before becoming president, I was both the managing director responsible for management planning and financial matters and general manager of the Corporate Compliance Headquarters.



Two years ago, as the director responsible for management planning and financial matters, I cooperated with Kubota's former chairman and president—Osamu Okamoto and Yoshikuni Dobashi—in drafting the Company's Medium-Term Management Strategy, which covers the three years through March 2004. That was the first time in nine years that Kubota had established a medium-term strategy. In view of the difficulty of promoting additional growth in sales and profitability at that time, we believed it important to eliminate the perception that our corporate development was obstructed, clearly describe each business unit's development path, and set specific performance goals for all employees to strive to attain.

As the general manager of the Corporate Compliance Headquarters, I worked to ensure that Kubota conformed to rigorous corporate ethics standards. In addition to giving thorough attention to the fundamental compliance issue of making sure that all management decisions and corporate activities respect the law, I undertook such initiatives as the creation of Kubota's Charter of Corporate Behavior and the revision of the Company's employee action standards.

Before becoming a director, I was posted to diverse departments and offices. As general manager of the Hirakata plant, I was on the front lines of manufactur-

ing operations and made various efforts to rebuild Kubota's construction machinery business. Based on that experience, I have concluded that business success requires at least two things: first, that managers fully understand developments on the front lines of business operations so that they have all the information they need to make the right decisions and, second, that all employees work together effectively to execute the management decisions and realize the relevant goals.

What are your fundamental management policies?

For the time being, I would like to give strong emphasis to the concept of "speed and execution." Kubota has maintained leading positions and high market shares in numerous stable business fields characterized by relatively low levels of change, and this stability is particularly evident in certain business fields in which government entities are the customers. As a result of our presence in such markets, I believe that Kubota has developed a corporate culture that is admirable regarding reliability and prudence but is slow to implement and execute new business strategies. In the current era of rapidly changing operating environments, we must create and implement strategic countermeasures with much greater speed. We have to be bolder in taking action without excessive fear of mistakes, and we have to quickly fix problems when mistakes are in fact made. I will be making a strong push

to shift the Company to a bolder and more dynamic management style.

Another issue that merits strong emphasis is personnel development. Throughout my career, I have been fully aware of the critical importance of highly skilled and motivated personnel. When communicating with managers, I make a point of stressing the importance of their responsibility for promoting the development of staff. In concrete terms, each manager must give younger employees appropriate guidance while also assigning them challenging work and responsibilities. These are the fundamental elements of personnel development, and they are also key means of creating a company characterized by “speed and execution.”

By emphasizing “speed and execution,” I plan to increase Kubota’s capability to rapidly respond to changes in its operating environment. By promoting personnel development and motivation efforts, I am seeking to foster an increasingly dynamic and proactive corporate culture.

What do you think about the current organization and management of Kubota's operations?

To date, Kubota has already moved forward with efforts to build a more autonomous divisional management structure through such efforts as those aimed at reorganizing the business divisions, streamlining the head office's support and administrative departments, giving greater responsibility and authority to divisions, and introducing a new performance-based personnel system. I will take responsibility for maximizing the benefits of these reforms.

In the future, I want to proceed with the building of new business models and systems adapted to the needs of individual business fields. Kubota operates in an extremely wide range of business fields, but operations in a number of those fields are not generating satisfactory results even though we

are the top or close to the top company in those fields in terms of market share. I believe that this is due to the insufficient strength of our business models and systems. In view of this, we must reevaluate all our business models and systems and build new ones that are optimal for current conditions in each field through such measures as those to tighten the focus of our marketing, technical, and manufacturing units on their central functions and those involving corporate alliances, spin-offs, and overseas business development. Each of our business divisions must design the best models and systems for its own operations based on a thorough consideration of the special characteristics of its business field and emerging trends in its operating environment as well as its own strengths and weaknesses. I intend to take effective steps to promote and lead this process of building new business models and systems.



After determining the ideal developmental direction of our businesses, we must reexamine our capabilities as a manufacturer. To overcome challenges from competing companies, it is important that we maintain strong emphasis on the basic tenets of manufacturing business by taking the measures needed to establish superior capabilities regarding product quality, manufacturing costs, and the quickness of product deliveries. We will retain our traditional dedication to manufacturing excellence as we seek to further develop our operations.

What are your principal strategic emphases right now?

Our principal strategic emphasis at this time is to complete the implementation of the Medium-Term Management Strategy.

In particular, we will be doing our utmost to achieve the first principal objective of that strategy, which is to reform Kubota's business structure and profit structure. Looking at Kubota's principal businesses—engines and machinery marketed principally to the private sector as well as ductile iron pipes and other products marketed principally to the public sector—one finds that domestic and overseas sales of engine and machinery are growing smoothly and the profitability of those sales is rapidly improving. In contrast, the profitability of business in products marketed principally to government bodies has deteriorated considerably amid decreasing demand and intensifying competition. Rebuilding this business is currently our most important task. We are marshaling all of Kubota's diverse capabilities to complete this rebuilding task, including moves to horizontally spread know-

how from our increasingly strong operations in engines and machinery.

Another particularly important objective of the Medium-Term Management Strategy is the developing of new and peripheral businesses. While new business development has been delayed due to circumstances in individual business fields as well as overall economic conditions, this is a crucial objective and a prerequisite for Kubota's dynamic corporate development over the long term. Our basic approach to developing new businesses is not to escape from our central business fields but to increase the dimensions of those fields. We are not planning to try establishing operations in fields totally unrelated to our existing technologies, markets, and other strengths. What we intend to do is broaden the scope of existing businesses by entering new fields in which we have some kind of special strength. While striving to realize more of our strengths' potentials, we are planning to compensate for our weaknesses through cooperation with other companies and are also considering the possibility of purchasing some businesses. In these ways, we are maintaining relentless strategic business development efforts focused on an extended range of business fields.

