

An Interview **with the President & CEO**



Mr. Yasuo Masumoto became president of Kubota Corporation on January 1, 2009.

Q₁ *You have been president for just over a year now. What has been your main focus during that time?*

A Immediately after I assumed the position of president, we implemented a restructuring program that included a significant reduction in the number of directors, the introduction of an executive officer system, and structural reorganization. After getting this management structure on track, I visited many of our business offices in Japan and overseas to try to grasp the current status of on-site operations as much as possible. At the same time, we implemented various internal measures from a medium- and long-term perspective.

One particular area of focus was changing the mentality of employees. With the acute changes in the business climate, we cannot survive by mindlessly following previous patterns. I strongly urged all employees to face changes with a sense of crisis, and to implement reforms boldly and swiftly.

Another point I stressed was finding the optimal solution for the Kubota Group as a whole. I instructed employees to constantly consider things from the perspective of the entire corporate group.

I believe this change in mentality has gradually spread throughout the corporate management over the past year. Looking ahead, I want to extend it to all employees through management.

Q₂ *The policy you laid out on assuming the post of president was to “manage emphasizing the front lines of business with a focus on technology and manufacturing capabilities.” What specific measures have you taken in this regard?*

A For technology development, we are currently holding in-depth discussions to consider what sorts of technologies Kubota should possess in the next decade. For manufacturing, we are pursuing the optimal manufacturing structure for a globalized market. Previous discussions on such topics had centered on executive officers, but we have now included engineers working on the front lines of the business. This has brought further depth to the discussion, and helped to broaden the outlook of the younger generation.

A determined focus on the front lines is an integral part of our daily business operations. Managers visit sales offices and production plants as often as possible, in order to get a sense of current business trends. We are working to foster a corporate culture in which managers and all employees come up with ideas

rooted in the front lines of the business, put those ideas into operation, and link them to results.

Q₃ *What measures are you emphasizing during the fiscal year ending March 2011?*

A We have three priority measures. The first is increasing revenues. Kubota's annual revenues have declined by more than ¥200 billion over the last two years, falling below the ¥1 trillion mark. It hardly needs repeating that expanding revenues is essential to the continued survival of a company. The economic climate is not ideal for an easy increase in revenues, but I believe we can achieve it if we approach the market with a sense of crisis and a broad perspective, without being constrained by established concepts.

The second priority measure is improving capabilities to respond to fluctuations in the global economy. We are looking to put in place a business structure able to respond quickly and flexibly to global fluctuations such as shifts in the economy or markets, and movement in exchange rates and raw material prices.

For this second measure we are optimizing production locations, and for the immediate future are expanding overseas production. During the fiscal year ending March 2011, at our facility in Thailand we will double the production capacity for tractors, and build a factory for combine harvesters and an engine foundry. In segments other than Farm & Industrial Machinery, we will establish a factory for pumps in China, and for industrial castings in Saudi Arabia. We are also stepping up efforts to procure materials globally. To optimize the procurement operations for the entire corporate group, we are putting in place organizational structures and systems for global procurement.

The final priority measure is to accelerate overseas business development, particularly in Asia. Newly emerging countries, along with China and other areas of the Asia market, will be the source of future growth, and the key for Kubota. We intend to take the machinery business built up to this point and accelerate its development throughout Asia, while working to expand the water treatment and environmental business, which is expected to grow rapidly in the future.

In April 2010 Kubota established the Strategy Planning Office, under my direct control, to be the central organization for globalization planning and strategy. I believe this new office will enhance the flexibility of our Asian business development, and increase the speed of decision-making.

Three priority measures

- 1 **Increasing revenues**
- 2 **Improving capabilities to respond to fluctuations in the global economy**
- 3 **Accelerating overseas business development, particularly in Asia**



Q⁴ How will you develop the agricultural machinery business in Asia?

A The basic approach for the agricultural machinery business in Asia is to focus on the market for wet-paddy rice cultivation. Like in Japan, rice cultivation in Asia is centered on wet paddies, and we will extend the technology and expertise we have acquired in the domestic market to Asia. Japanese agricultural machinery manufacturers are the only companies able to develop and produce an integrated lineup of products for mechanized rice cultivation, including tractors, combine harvesters and rice transplanters, under a single corporate umbrella. Kubota is the leader among this industry group.

I believe that our integrated lineup of products for mechanized rice cultivation is our most potent weapon for expanding business in Asia. We plan to use the wide variety of products and technologies we possess to uncover a vast potential market, and secure a position as the leading agricultural equipment manufacturer in Asia.

Specifically, in our largest market of Thailand we will expand the business for conventional-type combines and rice transplanters, in addition to the tractors that have driven growth up to this point. Kubota's business in China has so far been centered mainly on head-feeding-type combines specifically for the japonica rice variety. We plan to increase sales of rice transplanters, and from the fiscal year ending March 2011, expand into new markets for tractors and conventional-type combines.

Q⁵ What is your concept for the development in Asia of the water treatment and environmental business that will be the focus of attention going forward?

A The overseas water treatment and environmental market, mainly the Chinese market, is expected to expand rapidly. During the fiscal year ending March 2011, we will lay the foundations for expansion into the water treatment and environment business in China. The local production of pumps, which was decided in March 2010, will be the first step. Afterward

we plan to acquire orders, narrowing our focus to the market for wastewater treatment and reuse systems. We plan to expand our business in China in partnership with a local corporation.

We are of course also looking to cultivate markets outside of China. During the fiscal year ending March 2011, we plan to begin full-scale operations at our ductile iron pipe production facility in India, and to expand sales channels for ductile iron pipes, pumps and membranes in Southeast Asia, the Middle East and other regions. We also plan to focus on the water solutions business, incorporating water purification, desalination, and piping.

We expect the water treatment and environment business to become the second pillar of our operations after the machinery business. To accomplish this we will actively devote personnel and resources to the business, without undue attention to development expenses and investment costs.

Q⁶ *Kubota has a new corporate slogan for the 120th anniversary of its founding.*

A That's right. We formulated the slogan "For Earth, For Life" to commemorate the 120th anniversary of Kubota's founding. This slogan combines our corporate principle of protecting the global environment and helping provide a comfortable life for people, with my own ideas about taking on greater global challenges in the food, water and environmental fields. Taking the three elements that humans need to survive—food, water and environment—as our key concepts, we hope to remain a visionary company that serves society well into the future.

I have high hopes that the Kubota Group will unite under this slogan to move forward in a single direction.

