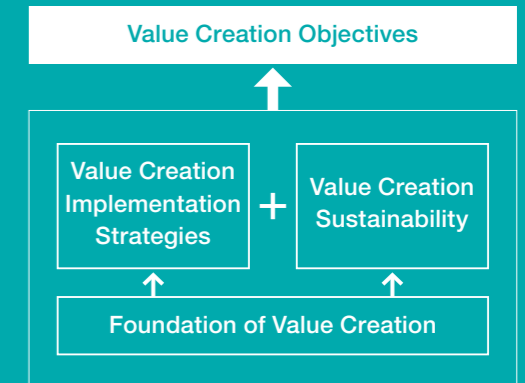


Chapter

# 02 Value Creation Objectives

## Contents

- 15 Top Message
- 23 Value Creation Process
- 25 Overview of the Value Creation Process
- 27 Long-Term Vision “GMB2030”
- 29 Social Issues in the Fields of Food, Water, and the Environment
- 31 K-ESG Management to Realize the Long-Term Vision “GMB2030”
- 33 Materiality Objectives and Indicators

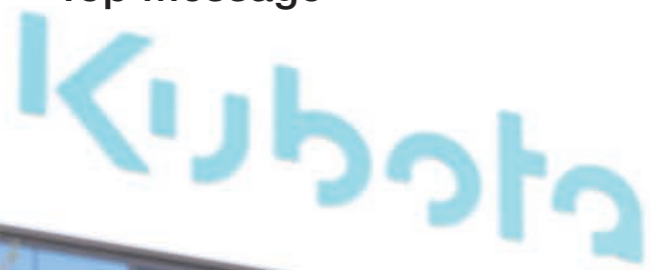


## Overview

In the Long-Term Vision “GMB2030,” we have declared our commitment to a prosperous society and cycle of nature as an “Essentials Innovator for Supporting Life,” thereby becoming a global major brand. To achieve this vision, we have established our objectives and goals, and outlined our value creation process with the thoughts of our top management both internally and externally.



Top Message



**Yuichi Kitao**

President and Representative Director, Kubota Corporation

## Sharing Our Vision and Strengthening Our Management Base to Lay the Foundation for Becoming an “Essentials Innovator for Supporting Life”

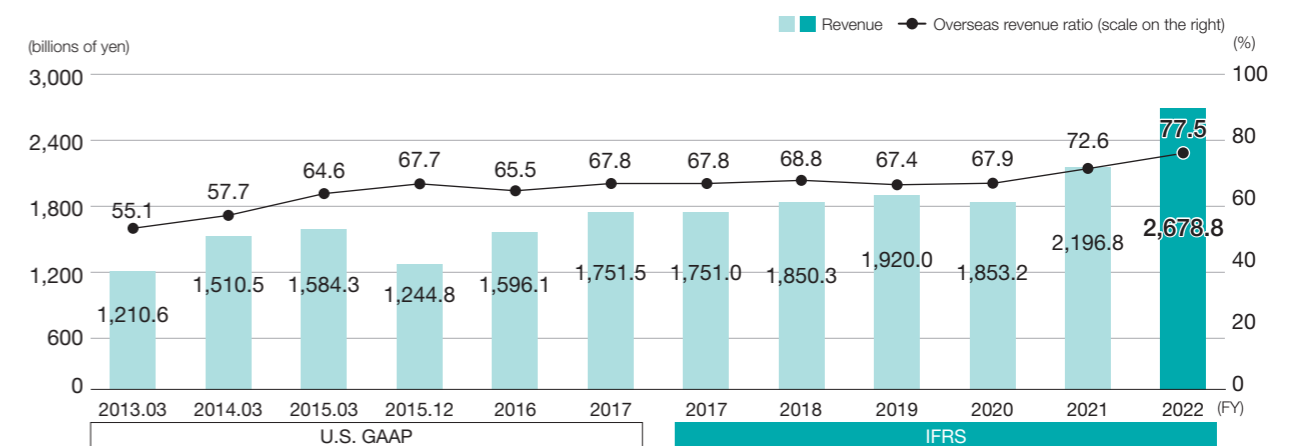
### Resolving issues associated with growth to build a robust business structure

The Kubota Group’s revenue for the fiscal year ended December 31, 2022 more than doubled over 10 years and reached a record high of 2,678.8 billion yen from that of 1,210.6 billion yen recorded in the fiscal year ended March 31, 2013. As a top executive, I would like to first reflect calmly on the key factors behind the growth we achieved.

To begin with, Kubota had a strong desire to open up new markets on its own. Learning from my predecessors, I felt that I should go myself to find a market, improve products, and create a business with these products. Taking the example of U.S. small tractors, when we brought Japanese rice paddy tractors to the United States, they were not used at all. By attaching implements, we developed the mowing and light

civil engineering markets, established a dealer network, and then expanded into peripheral markets such as slightly larger class tractors and utility vehicles. In this way, we have strengthened our business by enhancing our product appeal. Similarly, in the Construction Machinery business in North America, we have grown by strengthening our product lineup through the launch of compact track loaders and skid-steer loaders and broadening the product series as well as expanding the market. Over the past decade, although our business growth partly owes to mergers and acquisitions, in large part Kubota’s unique approach of “driving business forward with our products,” an idea handed down from our predecessors, has been a source for improving productivity.

Revenue and overseas revenue ratio trends



\* Due to a change to the accounting period, figures for the fiscal year ended December 31, 2015 are for the nine-month period from April 1 to December 31, 2015.  
 \* From the fiscal year ended December 31, 2018, International Financial Reporting Standards (IFRS) have been applied instead of Generally Accepted Accounting Principles (U.S. GAAP) that were applied previously. For the fiscal year ended December 31, 2017, financial figures in accordance with U.S. GAAP and IFRS are both presented.

As described, we have achieved business growth, but challenges accompanying our growth have also been revealed.

One challenge is that we have yet to become a global company. Although overseas revenue now accounts for about 78% of our revenue, Japanese-style management, in which a Japanese president is dispatched to manage local companies, is still our mainstream approach. In 1980, with tractor sales in the United States around 20,000 units, I think Japanese-style management was effective enough. However, now that 300,000 tractors have been sold overseas, there are issues including efficiency, and we need to build a truly global management structure.

Another challenge is developing and strengthening each process that leads to business and products. While our business has expanded in pursuit of our unique approach of driving business forward with our products, it seems to me that indirect functions that support business growth, such as IT, the supply chain, and R&D, have not kept pace with our business expansion. In addition, considering our future transformation into a solution provider, we must not only reinforce our organizational structure but also improve our operations. To

address these challenges, we are studying the best management style and working to strengthen back-office functions in our Mid-Term Business Plan 2025. Going forward, development, production, sales, and service will be conducted regionally to promote market-in activities quickly. In particular, I recognize that strengthening cooperation between business divisions, which are the vertical axis, and indirect functions, or the horizontal axis, and each regional site as a layer is an important task. Through closer communication, we will create a "One Kubota" structure.

On the earnings front, our forecast for the fiscal year ending December 31, 2025, the final year of Mid-Term Business Plan 2025, is 3,000 billion yen in revenue, 360 billion yen in operating profit, and an operating margin of 12%, which reflects changes in assumptions versus the plan, such as making Escorts Kubota Limited a consolidated subsidiary, and price increases in products. Our resolution remains unchanged: we will steadily accomplish the themes set forth in the Mid-Term Business Plan 2025 to improve our profitability and management foundation, thereby solidifying a robust business structure to build a foundation toward the realization of "GMB2030."

### Achieving sustainable growth with strategies that draw on our strengths

With regard to the direction of our business, when it comes to agriculture, our customer farmers are not dissatisfied with our tractors, but they still have issues about what to do with their farm businesses. We can do a lot in terms of production, but what we can do in terms of sales and consumption is limited at this point, so we should increase efficiency in agriculture as a whole by developing and providing solutions in cooperation with a variety of partners. If this can be done, we can help farmers and the agricultural industry itself, as well as contribute to reducing food loss, which is about 6 million tons in Japan. To this end, we are striving to create a platform that links production through consumption. The Kubota Smart Agri System (KSAS) will play a role in this but is not yet complete and we must create various mechanisms to increase its value in use. KSAS has about 20,000 customers in Japan, accounting for an area of 150,000–200,000 ha, or about 10% of Japan's rice paddies, and we want to further expand these numbers. Doing so will expand our existing product sales and aftermarket business, and enhanced profitability is expected. Regarding resource recycling, while we are strong in terms of melting furnaces and incinerators, waste collection and recycling are beyond the scope of our business, so we are trying to cover the entire resource recovery cycle through investment in companies that have expertise in these areas. Furthermore, taking into consideration not only agriculture and resources, but also food, water, and the environment, we believe that there are great opportunities in these fields. Our idea is to support social infrastructure with smartification of agriculture and water supplies, while at the same time creating a regional cycle by recovering valuable metals from sewage sludge and generating energy from agricultural residue. In this way, people will use Kubota's solutions without knowing it, and these solutions will support our daily lives: we hope Kubota can become such a brand.

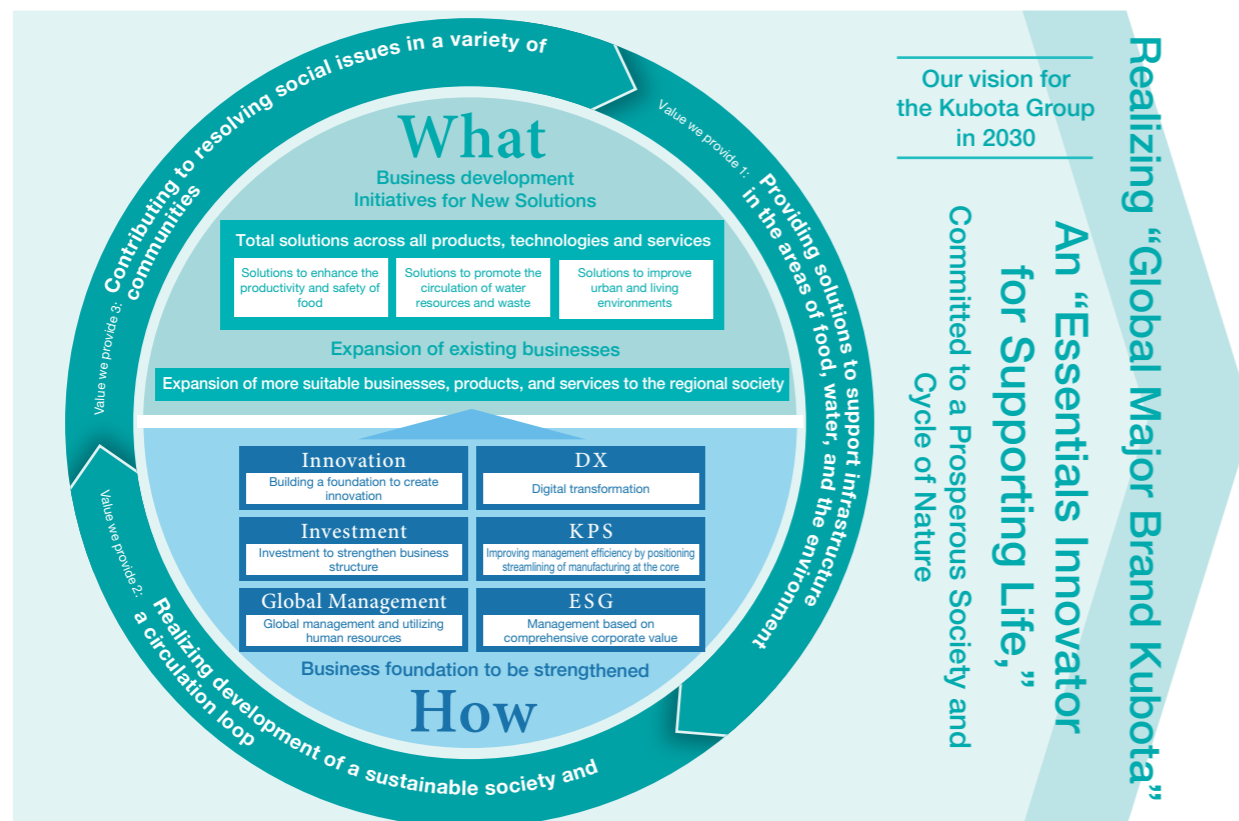
Africa, we see a great deal of room for mechanization even at present, and Africa has also been trying to increase rice production from 28 million tons to 56 million tons over 10 years starting from 2018, so the current market size of about 20,000 units has the potential to almost double. It goes without saying that other companies are moving into these promising markets, and Indian and Chinese companies are our main competitors. We will expand our business with the low-priced products at Escorts Kubota Limited as a springboard.



As for regional trends and corresponding strategies, in Japan, the United States, and Europe, agriculture has become almost 100% mechanized, and the market itself will not expand significantly, so smartification is the battleground from now on. In India and ASEAN countries, there is still a lot of room left for agricultural mechanization, which can boost our business, because markets are expected to grow as the mechanization rate improves. In particular, in India, where we made Escorts Kubota Limited a consolidated subsidiary, we intend to double our market share through synergy creation in development, manufacturing, and sales, respectively. In

As for direction of differentiation, Kubota and other companies have their own strengths, and it is important to decide on strategic points for respective markets. The ASEAN region is our stronghold and India and Africa are as I mentioned before. Our strategy for the European and US markets is to compete with overall strength combining tractors and implements for orchards, wineries, specialty crops, and large-scale agricultural machinery for dry-field farming. Tractors play the role of cattle and horses, and implements do farm work. We are working to strengthen the tractor-implement linkage. For example, efficient and accurate farming involves adjusting the spread amount of fertilizer as well as the tractor's running speed. In addition, implements that perform farm work are characterized by strong locality. Subsequent to Kverneland and Great Plains, Kubota acquired multiple overseas companies and enriched the Group's lineup of implements. Our strength is owning both tractors and implements. With this comprehensive strength, Kubota will continue to differentiate itself and expand its areas of expertise, thereby achieving sustainable growth.

### Overview of "GMB2030"



## Intellectual capital: The thoughts behind the establishment of Kubota Global Institute of Technology (KGIT) and its future vision

“GMB2030” cannot be realized without building a platform and total solutions, and this requires the enhancement of intellectual capital, which includes acquisition of intellectual property and development of R&D infrastructure.

We have been working on intellectual property strategically by analyzing Kubota’s intellectual property and identifying areas for improvement. Kubota has advantages in terms of machinery and peripherals, but needs to acquire competency in areas other than machinery, such as AI and electronic control, because a wide range of intellectual property is required to form autonomous driving routes. So far, when we found areas to be reinforced in this way, we have managed on our own. In recent years, we have made good use of outside sources, such as M&A, tie-ups with startups, and collaboration with universities. An example of this is the acquisition of AgJunction, proactively increasing our intellectual property.

Kubota Global Institute of Technology (KGIT) was established—a project that involved about ¥84.0 billion of investment—with various goals, one of which is to improve communication and thereby create a place where new ideas are born. In the past, we had communication problems because R&D departments were located in different buildings, and testing sites were separated or distant. At KGIT, these sites have been put together and the office floor is designed to

facilitate interaction. We hope this will encourage efficient and creative communication. In terms of personnel composition, we are promoting mid-career hires, so our engineers are now more diversified. They come up with unconventional test methods and designs, new ideas, and concepts. I think they have acquired abilities to initiate innovation and significant changes.

Another important goal at KGIT is the globalization of R&D and shortening of time required for related activities. Following sales and manufacturing, we are expanding our R&D functions on a global scale. Only when we have accomplished R&D globalization can we get closer to being a truly global company. As R&D functions expand, it is necessary to control and coordinate our activities globally, but meanwhile, it is also necessary to steadily conduct basic research at KGIT and collaborate and share the results globally. As for R&D methods, while bringing assets physically closer obviously helps to shorten the time needed for testing and prototyping, there is more that can be done. I believe that KGIT will be able to bring about innovation in the Kubota Group’s R&D, such as by shortening the overall cycle through a single, integrated process that ties R&D all the way into manufacturing and servicing. Please look forward to further updates.



KGIT 6th floor: One-floor office where 1,600 employees gather together

## Human capital: Toward a company where each and every employee can feel rewarded and growth

Providing employees with more growth opportunities and more job satisfaction, as well as creating a corporate culture that encourages them to take on the challenge of innovation, is directly related to the Company’s medium- to long-term growth. I put importance on this and want to create a mechanism to realize it. As top management, I was sorry to learn that the engagement score in the first employee survey conducted in 2021 was 50, lower than the manufacturing industry average, and strongly felt that I must do something. It revealed that employee engagement had not been going well, despite our Company’s steady growth.

In order to increase engagement, it is very important to share the Company’s direction and perspective, and have employees understand what makes them grow makes the Company grow. But through town hall meetings, where I have talked with hundreds of employees, I feel that our efforts on these points were not sufficient, which may have resulted in the low score.

In light of this, as an initiative to raise the engagement score, we are expanding the town hall meetings that have been run by myself, Vice President Yoshikawa, and other executives to include general managers of business divisions and corporate staff divisions to share the Company’s direction and perspective with employees. I’m also widening the scope of my dialogue to include not only offices but also factories, and refer to operations not only in Japan but also overseas. I have worked in the design and development of tractors, and

when I was young, I was able to think a lot and try new things. However, in recent years, with the rapid expansion of our business, workloads have been increasing and employees don’t have enough room to think, so I want to provide the employees with “leeway” and “opportunities to consider the future” by reviewing work and promoting diverse workstyles. As a mechanism to promote growth, we are developing various training programs such as on-demand or selective education, and cross-border learning utilizing outside sources as well. I hope organizations and individuals have dreams about what they want to do in the future and will be able to change themselves to achieve these goals.

Through dialogue with our employees, I realize again that the growth of a company depends on its human resources. Hearing directly from them about their concerns, such as “I’m worried about balancing work and family,” or “I’m going to have subordinates, but how should I lead them?” has renewed my recognition that one’s life and company are united, not separated from each other. An ideal management practice is to create a virtuous cycle in which employees feel job satisfaction and growth at their company, which in turn exerts a positive impact on their lives. The 2025 and 2030 engagement score targets have been set at 60 and 70, respectively, and I will work desperately to realize that ideal—to create a company where each and every employee can feel growth through a fulfilling job.



Town hall meeting in 2022

## K-ESG management achievements and challenges

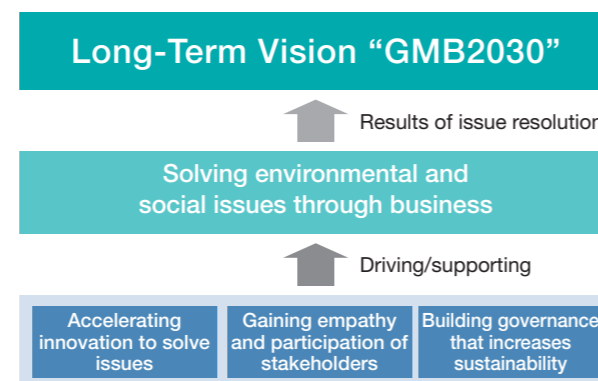
It has been two years since we took up the shift to business operations that place ESG at the core of management. With the ESG Management Strategy Meeting established, we have discussed company-wide policies and individual issues related to environment, society, and governance. Although the introductory phase is finally over and the new system is taking shape, I have a feeling that K-ESG has not yet been fully understood across the Company. Executive officers, together with related divisions, held discussions more than 60 times to set K-ESG management materiality indicators (KPIs) and targets, so it has been understood to a certain degree, but not so much particularly among other related parties. From here on, as we move into the implementation phase, K-ESG management has to spread closer to the field. K-ESG management takes the approach of solving environmental and social issues through business; in other words, business growth is linked to solving environmental and social issues. It is also characterized by the empathy and participation of stakeholders. Many of our employees empathize with the DNA that supports the social infrastructure—food, water, and the environment—so if communicated repeatedly in an easy-to-understand manner, K-ESG should spread in a natural way. The same applies to stakeholders other than employees, e.g., shareholders, local communities, and suppliers. We will create opportunities for them to empathize with and participate in Kubota's business activities.

Compliance with carbon neutrality (CN) is a challenge that cannot be avoided, and we have focused discussions in our Company about these issues. As a company that supports social infrastructure, Kubota is being questioned on its responses. How we incorporate it in the path toward the realization of "GMB2030" is a major challenge. While CN is a good opportunity for Kubota, a delayed response becomes a risk. My view on CN up to three to five years ago was that the automotive industry might be decarbonized soon, but agricultural and construction machinery would take time for decarbonization because of their usage, the environments in which they are used, and the technical issues associated with them. Even now, I don't think industrial machinery will achieve CN as fast as automobiles, but we will take care of it in a firm manner by monitoring related domestic and overseas trends, such as technology and social infrastructure. Not just reducing CO<sub>2</sub> emissions, making contributions to society by reducing carbon emissions is also important. For example, Japan emits

about 1.12 billion tons of CO<sub>2</sub> annually, of which agriculture accounts for about 50 million tons. Tractors emit about 2 million tons of CO<sub>2</sub>, most of which comes from methane gas and N<sub>2</sub>O (nitrous oxide) emitted by soil, so efforts to reduce these gases are also important for CN. Since CN is not just a power source issue, we are studying peripheral areas as well, and are facilitating alliances in industry, government, and academia, in addition to our own Group.

In terms of governance, our Board of Directors has five directors selected from outside the Company. The outside directors made achievements mainly in corporate management with their high-level and diverse skills. At board meetings, they have sometimes harsh things to say but promote vigorous discussions. Along with the Board of Directors meetings, we have opportunities to exchange views on specific themes (in Value Up Discussion Meetings), where we talk about the future and major challenges for medium- and long-term growth, receiving good opinions and ideas on business management and execution, respectively. Furthermore, starting with fiscal 2022, we have been conducting effectiveness evaluation with a third-party organization. We will steadily solve issues identified in this evaluation to establish a high level of corporate governance. With regard to risk management and compliance, we are proactively addressing geopolitics, human rights, and other risks. And I believe that, in the spirit of "On Your Side," governance works when we have a strong sense of being good for society and our customers. We will be more committed than ever to share our corporate philosophy and vision with everyone.

### Overview of K-ESG management



## Looking back on my first three years as president

Before I took office as president, I was GM of the Farm and Industrial Machinery Consolidated Division. Even at that time, I thought that the traditional business model of generating profits from manufacture, sales, and repair of tractors and other agricultural machinery would not be able to survive, and that in the water environment business, it was not enough to manufacture and sell water pipes and other products; we had to accommodate changes in society in the future. It was immediately after I assumed the post of president that we encountered a difficult period with the COVID-19 pandemic. In the midst of the pandemic, we formed a team of mid-level managers who would be responsible for the future of our Company and held discussions with the management team to set "GMB2030" and the ideal situation of "an 'Essentials Innovator for Supporting Life,' committed to a prosperous society and cycle of nature." Now, specific strategies to create total solutions for food, water, and the environment are being implemented in each division. Looking at what is going on in the world, the business environment is likely to change rapidly in pace with trends in CN, AI, and DX, and due to geopolitical risks and other factors. While "GMB2030" needs to be revised flexibly in response to social changes, we will remain

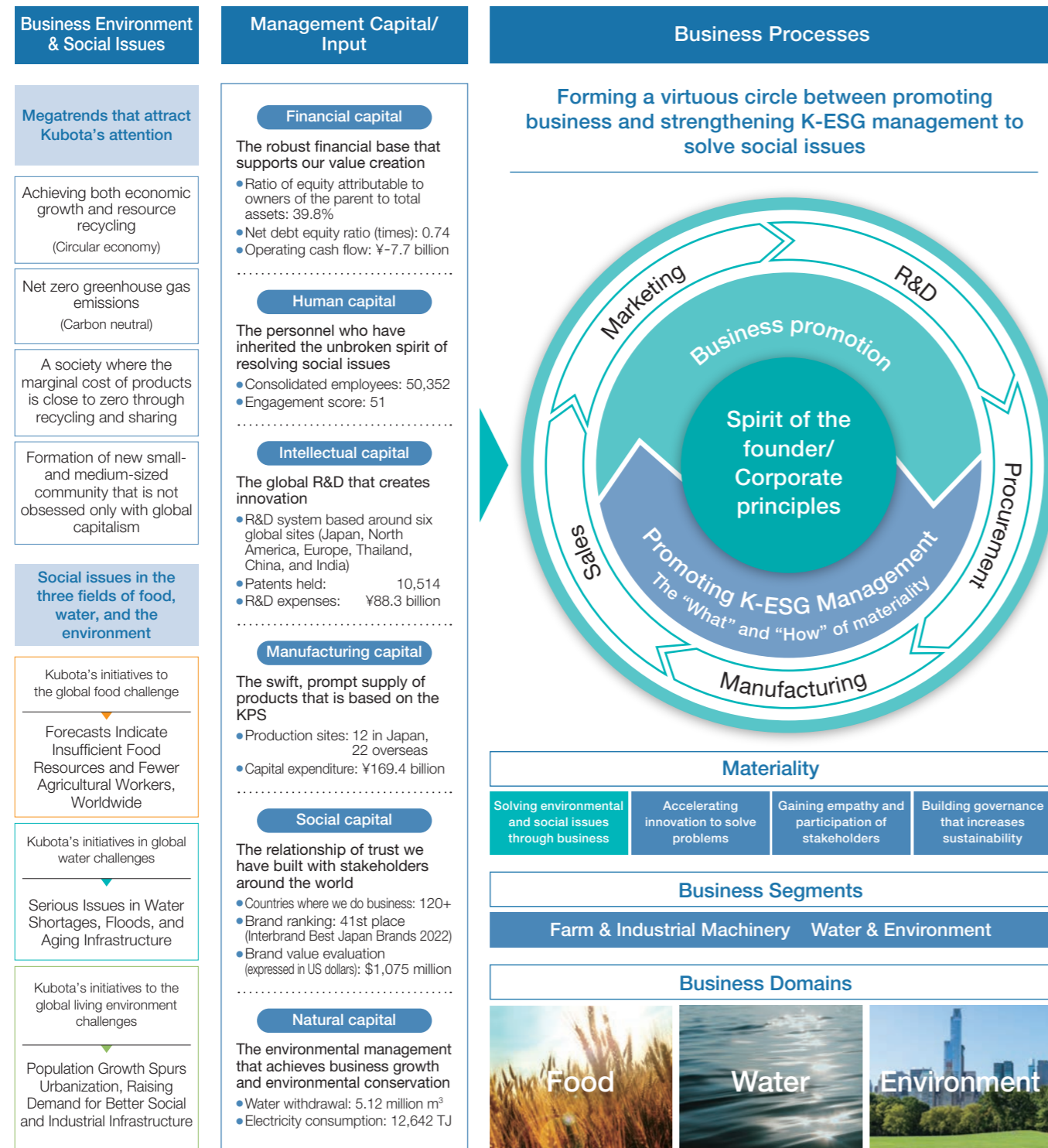
tenaciously committed to achieving our vision.

I think I have two responsibilities in this regard. One is to better understand changes in society and the business environment and set a direction, and the other is to change the organization accordingly, more specifically, to nurture human resources who have leadership skills. Over the three years since I became president, I have learned once again that an organization is driven by people, and the vital thing is to ensure that employees are satisfied with their jobs and lives before they immerse themselves in work. There is a saying that "corporate culture trumps strategy," and I will keep this in mind in my future corporate management.

I believe that many of our employees have understood our DNA, being a company that supports social infrastructure, as it has been handed down over 130 years since the Company's founding, and newcomers have joined us because they have empathized with this philosophy. Kubota is promoting K-ESG management that encourages our stakeholders to empathize and get on board with its business through dialogue and engagement. We ask for our stakeholders' continued support in accompanying us on the path to the future.

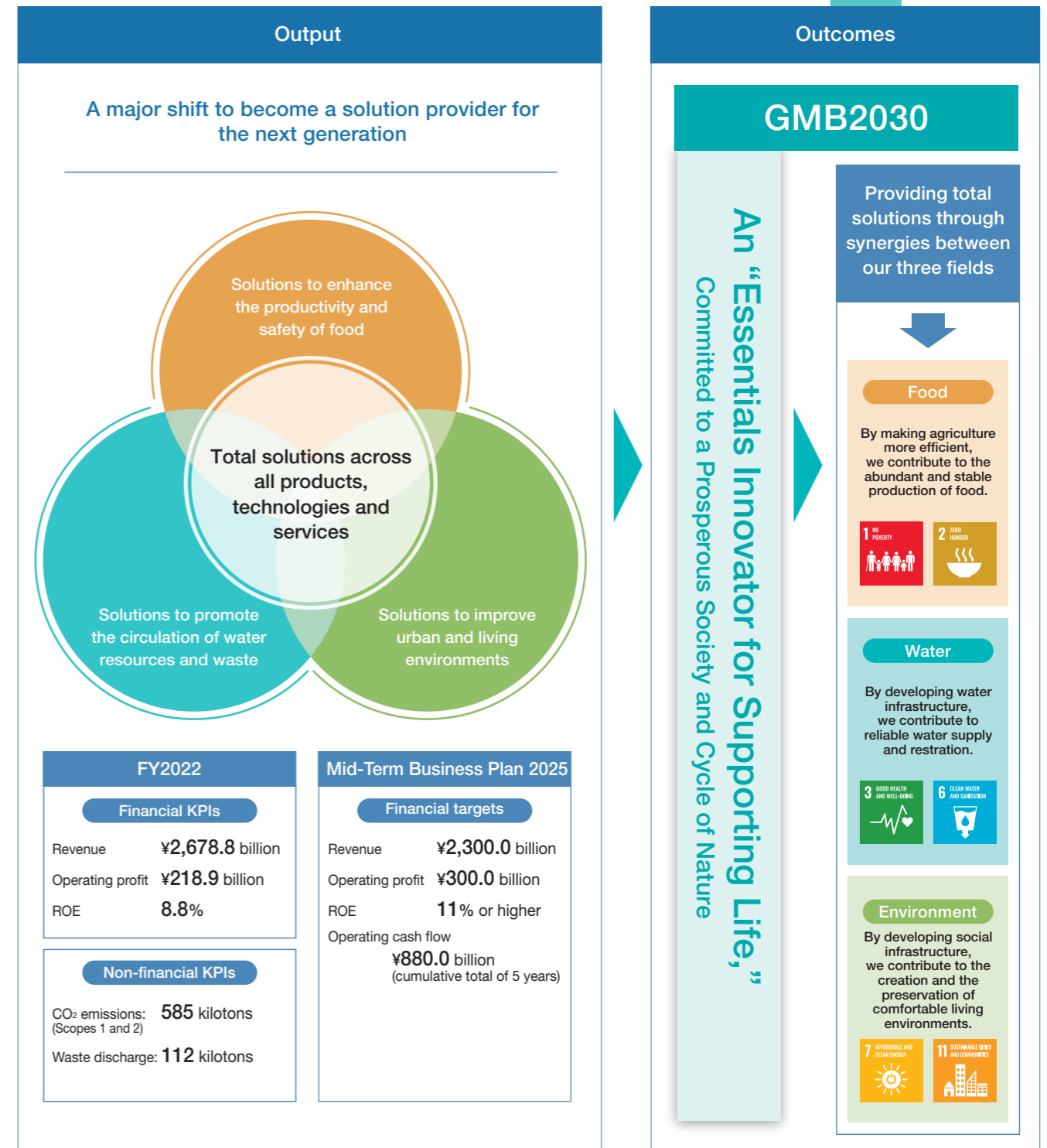
# Value Creation Process

We create value in terms of both economic value and social value, by making efficient and effective use of management capital to solve environmental and social issues by providing solutions in the fields of food, water, and the environment. By providing these solutions, we will become an indispensable part of society as an “Essentials Innovator for Supporting Life,” making a range of social contributions, and continuing to create value for the realization of “Global Major Brand Kubota.”



## Kubota's Goal

# Realizing “Global Major Brand Kubota”

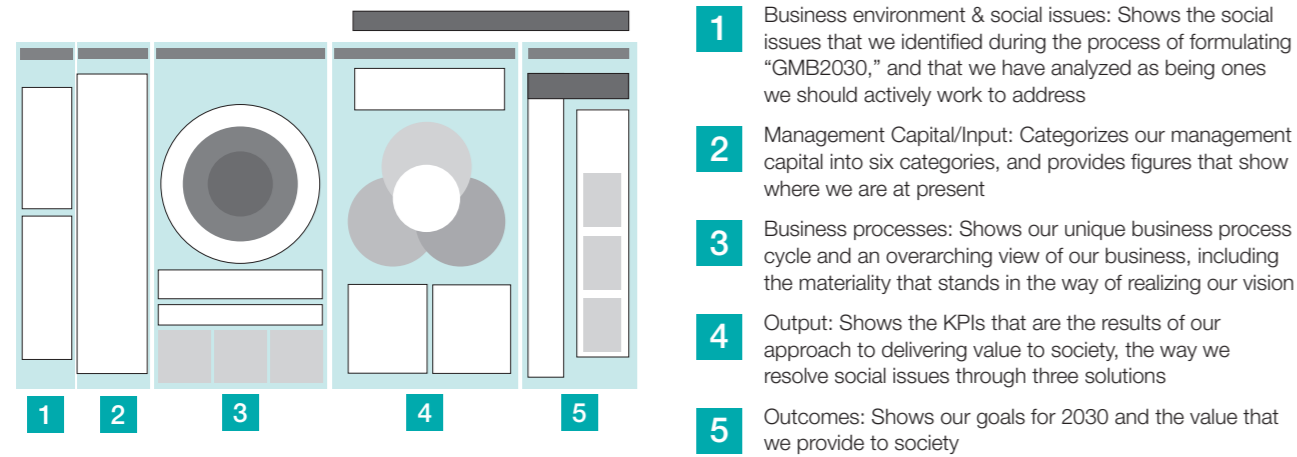


# Overview of the Value Creation Process

We have taken into account the strategies needed to achieve the Long-Term Vision “GMB2030” and the issues that we face, and set out a value creation process to follow to get us there. We ensure that we are always conscious of the issues that society faces, and by organizing our management capital into six categories, we hope to offer society value as a solutions provider by creating a cyclical business process unique to Kubota. This will act as the path to realizing the Long-Term Vision, and by raising awareness of this process inside and outside the Kubota Group, we will make sure it is effective as we press forward.

## Overall Structure

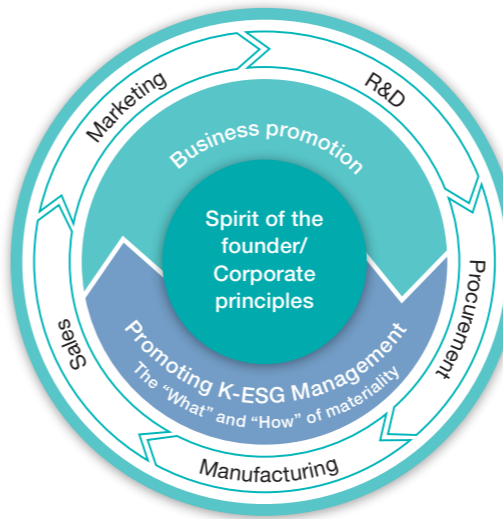
Taking into account the external environment, we have visualized our value creation process in the following flow: input, then business processes, output, and lastly outcomes. It shows the process by which we realize “GMB2030,” which involves scaling up the value that we offer society by achieving our financial and non-financial targets and putting something back into our capital input.



## Management Capital/Input

<p><b>Financial capital</b></p> <p>Our financial structure is a hybrid of our manufacturing and service business and our retail financing business. The first is virtually debt-free, while the latter aims to be self-sufficient (by turning loan claims into securities), which means that, overall, we have a sound financial base. Under Mid-Term Business Plan 2025, we have targeted net cash provided by operating activities of ¥880.0 billion (cumulative total of 5 years). Realizing this would allow us to steadily implement our growth strategies and maintain that financial soundness.</p>	<p><b>Human capital</b></p> <p>In line with the spirit of our founder and our corporate principles, our approximately 50,000 employees are working to create value by solving environmental and social issues. With our K-ESG management, we consider diverse values and employee growth and job satisfaction as materiality, and by helping individuals to demonstrate their abilities and maximizing the organization’s performance, we will accelerate our resolution of those issues and our value creation.</p>	<p><b>Intellectual capital</b></p> <p>Alongside the technologies and expertise that we have accrued over a history that stretches back more than 130 years, we also possess R&amp;D sites around the world, first and foremost the Kubota Global Institute of Technology, which opened in 2022. Using these, we are working in each region to create innovation to solve the issues we have discovered as part of our “On Your Side” approach. As part of Mid-Term Business Plan 2025, we have planned to invest ¥500.0 billion in R&amp;D and with this we will expand our intellectual capital, and use that capital toward innovation creation and problem-solving to create value.</p>
<p><b>Manufacturing capital</b></p> <p>In order to reduce lead times, among other goals, we have established production sites in areas all over the world. At the same time, sharing the Kubota Production System (KPS), which forms our fundamental approach and perspective toward the products at the heart of our manufacturing, will thoroughly eliminate waste of work and strengthen the entire supply chain. Mid-Term Business Plan 2025 includes a planned ¥600.0 billion in capital expenditures, and with this investment we will put in place the infrastructure we need to support sustainable growth.</p>	<p><b>Social capital</b></p> <p>We operate our businesses in such as to support relationships of trust with a multitude of stakeholders in different countries, including suppliers, agents, governments, and local people. Our belief is that the “S” in “K-ESG” should also stand for “Stakeholders” and by improving transparency and dialogue, we will build relationships that help us to gain the empathy and participation of even more stakeholders.</p>	<p><b>Natural capital</b></p> <p>Given that food, water, and the environment are our business domains, we have a deep connection to nature. Therefore, we carry out environmental management that conserves the environment that is the foundation of our business activities, while also pursuing business growth. To realize our Environmental Vision—our target situation toward 2050 from an environmental perspective—we will systematically endeavor toward carbon neutrality and resource recycling.</p>

## Business Processes



The Kubota Group’s businesses are categorized under three domains: food, water, and the environment. Through processes that use integrated R&D, procurement, manufacturing, sales, and marketing operations, products and services characterized by their ability to help resolve social issues can be offered in each of those domains. As these processes all fall under the one management umbrella, the spirit and corporate principles that we have cultivated and nurtured over many years can be brought together under the single banner of “One Kubota,” which is the driving force behind the development of our business operations. Also, as part of our business management, our unique and characteristic K-ESG management is at the heart of our decision-making, and we also strive to strengthen our sustainability.

In the more than 130 years since our founding, we have accumulated capital in the form of technologies and expertise through our supply of high-quality products and services, which we will naturally continue to use to enhance the reputation of each of our businesses individually. We will, however, also utilize the intangible assets that belong to each business—the human resources, technologies, knowhow, and markets—to further strengthen our ability to create crossover products and services that overlap multiple business fields, and to make ever-larger contributions to the resolving of social issues.

## Output & Outcomes



### Output

While the Kubota Group’s products, technologies, and services remain at the core of our business in the fields of food, water, and the environment, we will build a variety of partnerships and ecosystems that will allow us to provide the following three new solutions.

- Solutions to enhance the productivity and safety of food
- Solutions to promote the circulation of water resources and waste
- Solutions to improve urban and living environments

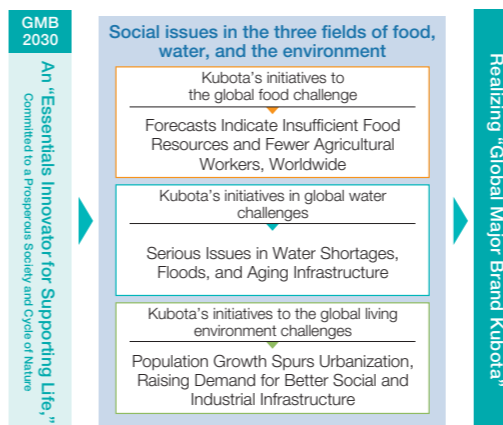
As a solutions provider that can offer these total solutions, we will make a direct contribution to efforts to tackle the problems facing global society. Through the total solutions that we create under the “One Kubota” banner, we will link different business fields and have them complement one another to gradually expand those areas that are the focus of our Global Loop concept, with the aim of being a greater platform for innovation that can go beyond these fields’ boundaries.

### Outcomes

As an “Essentials Innovator for Supporting Life,” that is committed to a prosperous society and cycle of nature, through efforts in fields that are indispensable to human life—food, water, and the environment—we will carry out the initiatives below in order to help solve social issues.

- Forecasts Indicate Insufficient Food Resources and Fewer Agricultural Workers, Worldwide
- Serious Issues in Water Shortages, Floods, and Aging Infrastructure
- Population Growth Spurs Urbanization, Raising Demand for Better Social and Industrial Infrastructure

By solving social issues in these three fields, we will become the “Global Major Brand Kubota” that we aspire to, i.e., one that can make the greatest contribution to society by earning the trust of the greatest number of customers.



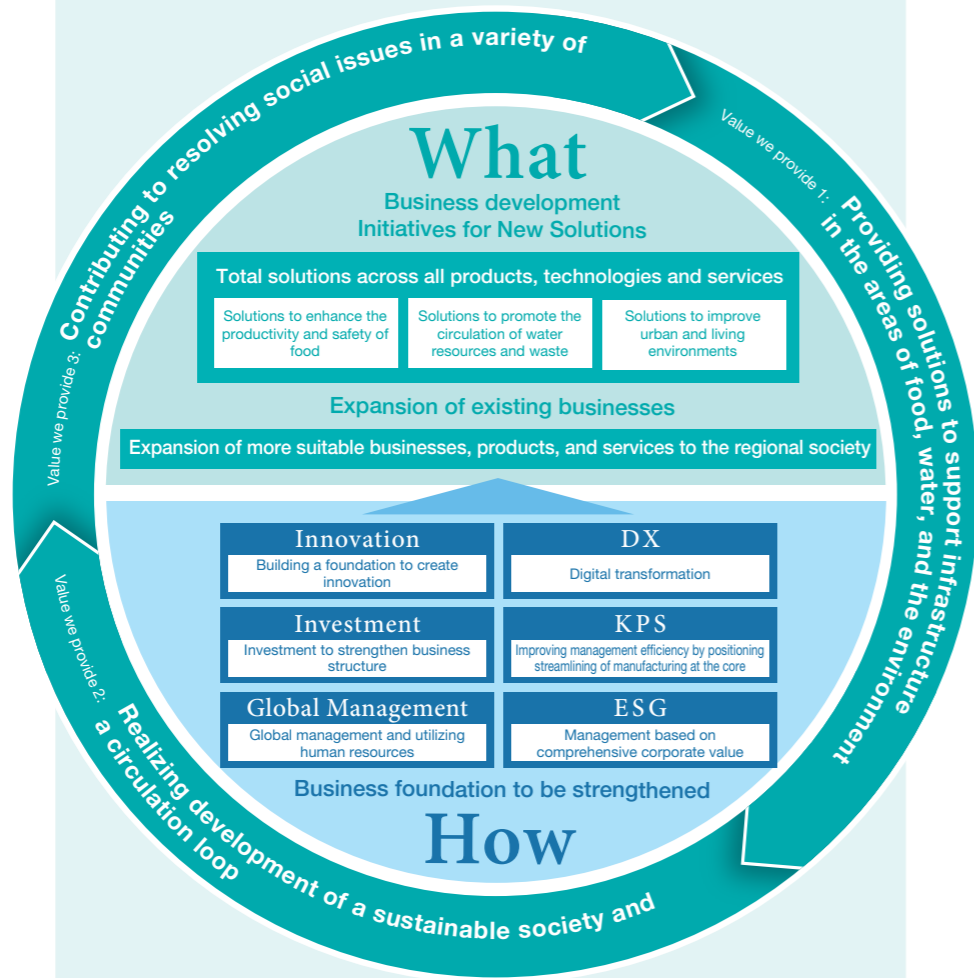
## Long-Term Vision “GMB2030”

Looking forward, we have outlined our ideal for the future—earning the trust of the greatest number of customers to become a “Global Major Brand (GMB)” that can make the greatest contribution to society. To this end, we are working to realize our Long-Term Vision “GMB2030.”

### Realizing “Global Major Brand Kubota”

Our vision for the Kubota Group in 2030

### An “Essentials Innovator for Supporting Life,” Committed to a Prosperous Society and Cycle of Nature



#### Megatrends that attract Kubota’s attention

Achieving both economic growth and resource recycling (Circular economy)	A society where the marginal cost of products is close to zero through recycling and sharing
Net zero greenhouse gas emissions (Carbon neutral)	Formation of new small- and medium-sized community that is not obsessed only with global capitalism

#### Social issues in the three fields of food, water, and the environment

Kubota’s initiatives to the global food challenge Forecasts Indicate Insufficient Food Resources and Fewer Agricultural Workers, Worldwide	Kubota’s initiatives in global water challenges Serious Issues in Water Shortages, Floods, and Aging Infrastructure	Kubota’s initiatives to the global living environment challenges Population Growth Spurs Urbanization, Raising Demand for Better Social and Industrial Infrastructure
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#### Philosophy



**Spirit of the Founder**  
“For the prosperity of society, we need to put all of our efforts into creation.”  
“Our products should not only be technically excellent, but also useful for the good of society.”  
Founder: Gonshiro Kubota

#### Kubota Global Identity

**Mission**  
Food, water, and the environment are indispensable for human beings. The Kubota Group continues to support the future of the earth and humanity by contributing products that help the abundant and stable production of food, help supply and restore reliable water, and help create a comfortable living environment through its superior products, technologies, and services.

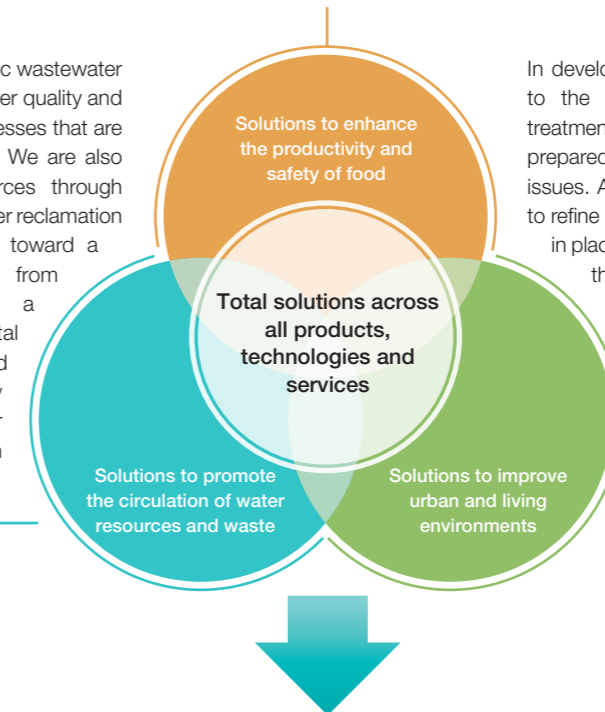


## Aiming to be an “Essentials Innovator for Supporting Life”

### Three Solutions

Global agriculture faces a range of issues, including food shortages and a shrinking farming population. To address these problems, we plan to develop autonomous and unmanned agricultural machinery as well as automated farm management system that utilizes AI to improve crop yields and quality, and so raise agricultural productivity. By collaborating with the agricultural sector as well as other industries, we will create an open agri-platform and provide solutions for the entire food value chain. We will help create agricultural industries that are all appropriate for their regions and their times.

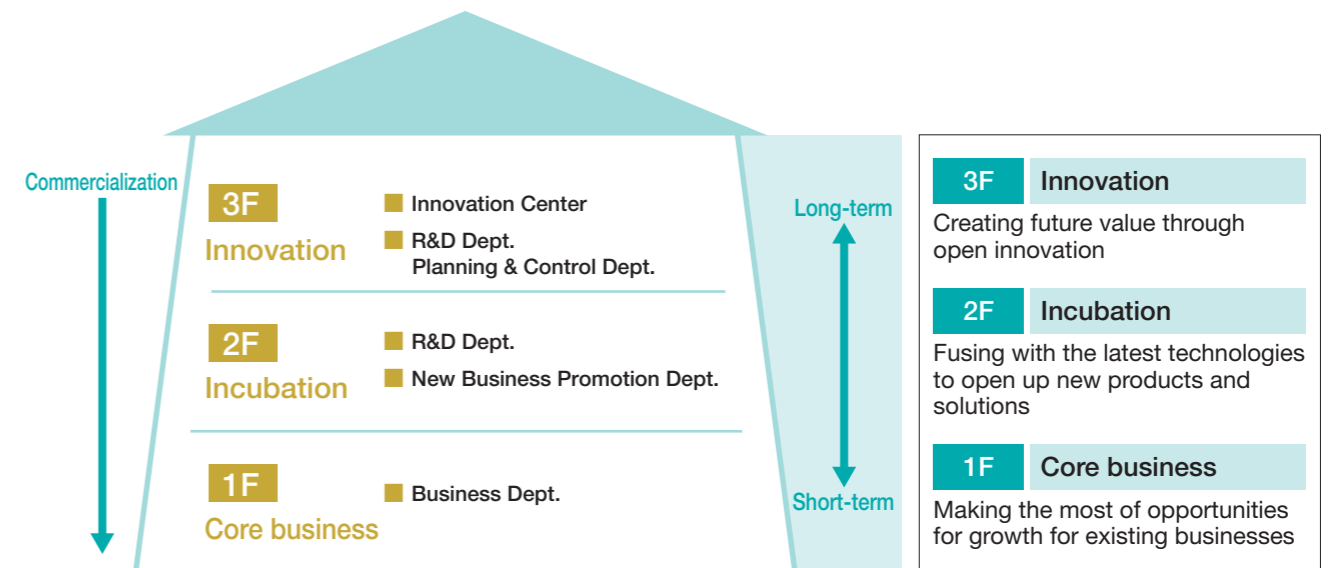
Through the purification of domestic wastewater and sewage, we are improving water quality and reducing pollution caused by processes that are a part of economic development. We are also helping to recycle water resources through products and services that use water reclamation technologies. In line with efforts toward a circular economy where waste from economic activities becomes a resource, we will build a total solution for resource recovery and reproduction based on the recovery technology of phosphorus or valuable metals, combined with other companies’ technologies.



In developed countries in particular, responding to the aging of water supply and sewage treatment facilities, personnel shortages, and preparedness for natural disasters are urgent issues. As a water specialist that has continued to refine its skills for more than 130 years, we put in place efficient facility management platforms that allow remote observation, diagnosis, and control of water environment equipment using IoT-linked systems. Also, by providing products and services that are resilient to earthquakes and other disasters, we are contributing to safe, secure, and sustainable infrastructure.

### The Three-Story House Value Creation System

We are applying the technologies and expertise that we have built up over the years to meet the needs of society and the market, and are steadily resolving current social issues. At the same time, we are forging ahead with the creation of new technologies and businesses that respond to future changes. The system behind our value creation processes is shown in the Three-Story House diagram below. From upcoming product development to initiatives with long-term goals, we will balance our distribution of resources effectively. In this way, we aim to further develop as a sustainable company able to respond to change.





# Social Issues in the Fields of Food, Water, and the Environment

Since our founding, we have confronted the new social issues that have appeared in every age, discovering worksite needs in cooperation with stakeholders as we help to resolve those issues. Now, the world faces a number of issues in the fields of food, water, and the environment—fields that are indispensable parts of our lives. As a company that takes as its mission the resolution of social issues, we aim to help bring about a more sustainable society through our technologies and solutions.



## Food

Kubota's initiatives to the global food challenge

Forecasts Indicate Insufficient Food Resources and Fewer Agricultural Workers, Worldwide

### Increasing Global Population and Demand for Food

The world's population is heading toward 10 billion. Concerns of a global food shortage

A United Nations forecast states that, while in 2019 the global population was 7.7 billion, it will likely rise to 9.7 billion by 2050, and 11.0 billion by 2100.\*1 Due to this population increase and further economic growth, in 2050 global food demand is predicted to be 1.7 times greater than in 2010.\*2 Another report estimates that 820 million people — about one person in nine globally — do not have enough food to eat.\*3 One of the United Nations' Sustainable Development Goals (SDGs) calls for improved nutrition and the end to hunger throughout the world. This will require the promotion of sustainable agriculture on a global scale, with a reduction in food loss and waste.

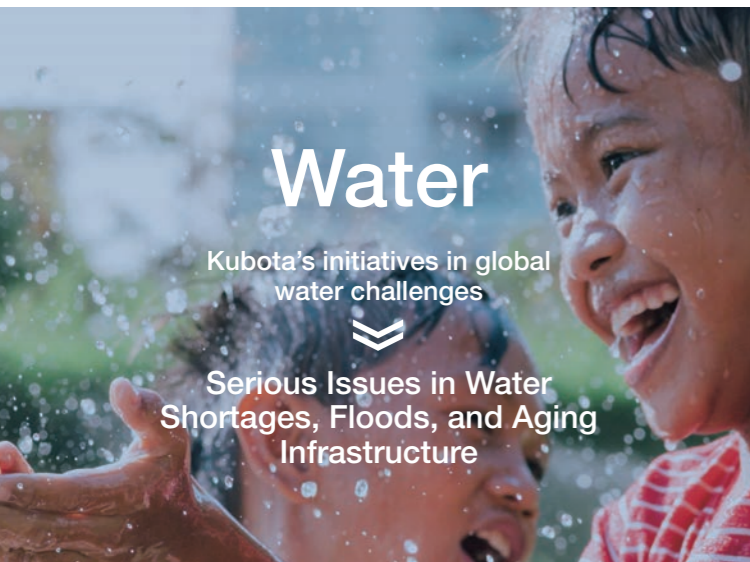
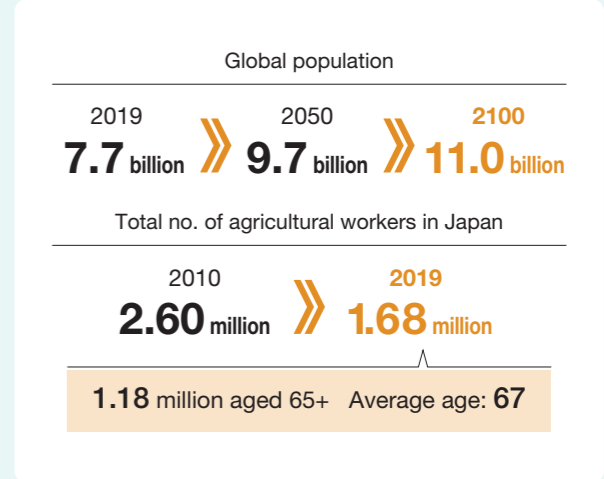
\*1. World Population Prospects 2019, United Nations  
 \*2. Global Demand for Food in 2050 (September 2019), Japan's Ministry of Agriculture, Forestry and Fisheries  
 \*3. 2019 - The State of Food Security and Nutrition in the World, Food and Agriculture Organization (FAO) of the United Nations

### Aging Farmers and Labor Shortage

A growing need for agricultural efficiency and higher productivity

Aging farming populations and labor shortages are worldwide issues in agriculture. In Japan, 2.60 million people were engaged in agriculture in 2010, but only 1.68 million in 2019.\*1 Of the latter number, 1.18 million (about 70%) were age 65 or older.\*1 The average age being 67.\*1 The total number of people employed in agriculture is declining in many countries.\*2 And yet, at the same time worldwide grain consumption is trending upward, due to a growing population in developing countries and rising income levels. Thus, with fewer workers and a greater need for more farmed land, the world is facing a growing demand for agricultural efficiency and better productivity.

\*1. Employment in Agriculture, The World Bank (September 2019 data)  
 \*2. Agricultural Labor Statistics, Japan's Ministry of Agriculture, Forestry and Fisheries (2019 data)



## Water

Kubota's initiatives in global water challenges

Serious Issues in Water Shortages, Floods, and Aging Infrastructure

### Not Enough Safe Water for the World's Population

One-third of us live without safe drinking water in the world

About one-third of the world's population — approximately 2.2 billion — does not have access to safe drinking water.\*1 Global demand for water is forecast to increase an additional 55% between the year 2000 and 2050, as the population rises rapidly and economic growth continues.\*2 In other words, the need for new infrastructure to supply water safely will keep growing worldwide.

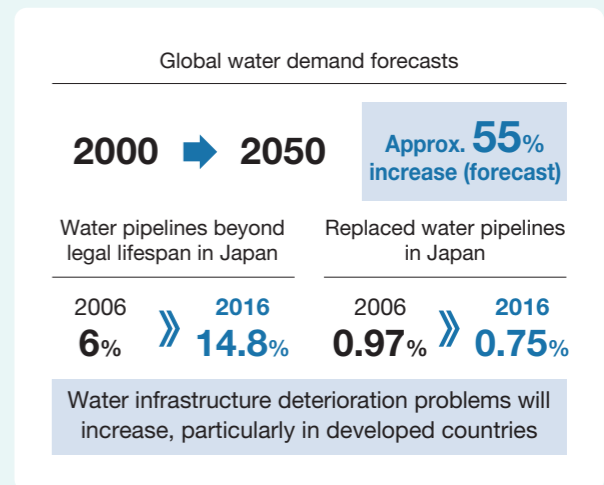
\*1. Progress on household drinking water, sanitation and hygiene 2000-2017: Special focus on inequalities, Joint Monitoring Programme (JMP) promoted by the United Nations Children's Fund (UNICEF) and the World Health Organization (WHO)  
 \*2. OECD Environmental Outlook to 2050 (2012), Organisation for Economic Co-operation and Development (OECD)

### Obsolescence: A Threat to Water Infrastructure

Aging water supply, raising the risk of leakage and water damage grows

In developed countries, especially, aging of water infrastructure is a growing issue. Even in Japan, which enjoys a high water supply penetration rate of 98% (2017 statistic\*1), most of them are pipelines laid during the country's period of high economic growth in 1950's and 1960's. This means that a growing percentage are surpassing their legislated 40 years of useful life. In North America and Europe, too, many water pipes are approaching their useful life, or are even older.\*2 Aging water infrastructure runs the risk of leakage and associated problems; and the risk continues to grow. Tremendous damage may occur during an earthquake or other disaster, resulting in shutting down access to lifeline. As a safeguard, upgrades must be planned throughout the world.

\*1. Water Main Key Statistics, Ministry of Health, Labour and Welfare  
 \*2. 2017 Infrastructure Report Card, American Society of Civil Engineers



## Environment

Kubota's initiatives to the global living environment challenges

Population Growth Spurs Urbanization, Raising Demand for Better Social and Industrial Infrastructure

### Rapid Urbanization: A Global Issue

Rapid urbanization boosts demand for better social and industrial infrastructure

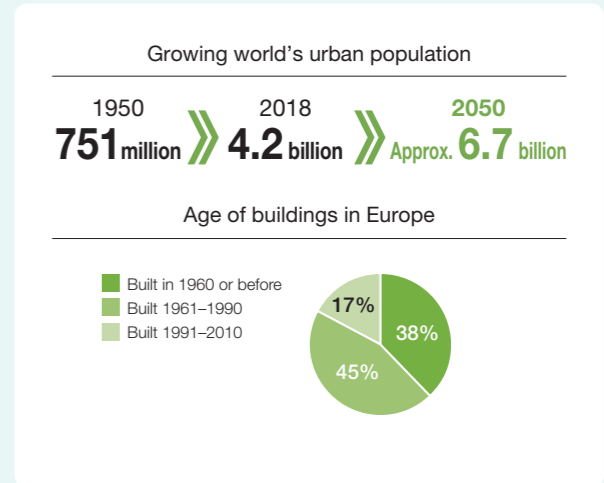
In 1950, the world's urban population was 751 million. Through natural increase and in-migration from farming villages, the number had soared to 4.2 billion by 2018. It is predicted to keep soaring, reaching 6.7 billion in 2050. Back in 1950, urban residents made up no more than 30% of total world population, whereas a hundred years later, in 2050, that ratio is predicted to reach 68%. Experts forecast that in 2030 our planet will have 43 megacities (cities with more than 10,000,000 people), with cities in developing regions responsible for almost all of the increase. The growing world population and in-migration into urban areas will boost metropolitan population density, making it imperative that social and industrial infrastructure be improved for people to live in security and comfort, while at the same time sustainable conditions preserve the global environment.

\* World Population Prospects 2019, United Nations  
 \* 2018 Revision of World Urbanization Prospects, United Nations  
 \* The World's Cities in 2018, United Nations

### Heritage Cityscapes Conservation and Aging Challenges

Historic cities require the replacement of obsolete infrastructure without damage to priceless heritage

Developed countries built and improved community infrastructure during periods of vigorous economic growth. But that infrastructure is becoming obsolete, requiring urgent remedial measures. Cities having a long and illustrious history, especially some in Europe with heritage cityscapes, need to revitalize their obsolete infrastructure, but at the same time they need to preserve buildings of historical and cultural value. The infrastructure crisscrosses urban areas, and in many places is located at narrow laneways. Construction in such places requires technology and machinery that can perform the work efficiently while taking extra care to prevent damage. Thus, the approach taken by ancient cities, as they aim for sustainability while preserving their heritage, needs to be different from that of large modern cities.



# K-ESG Management to Realize the Long-Term Vision “GMB2030”

## K-ESG Management Initiatives

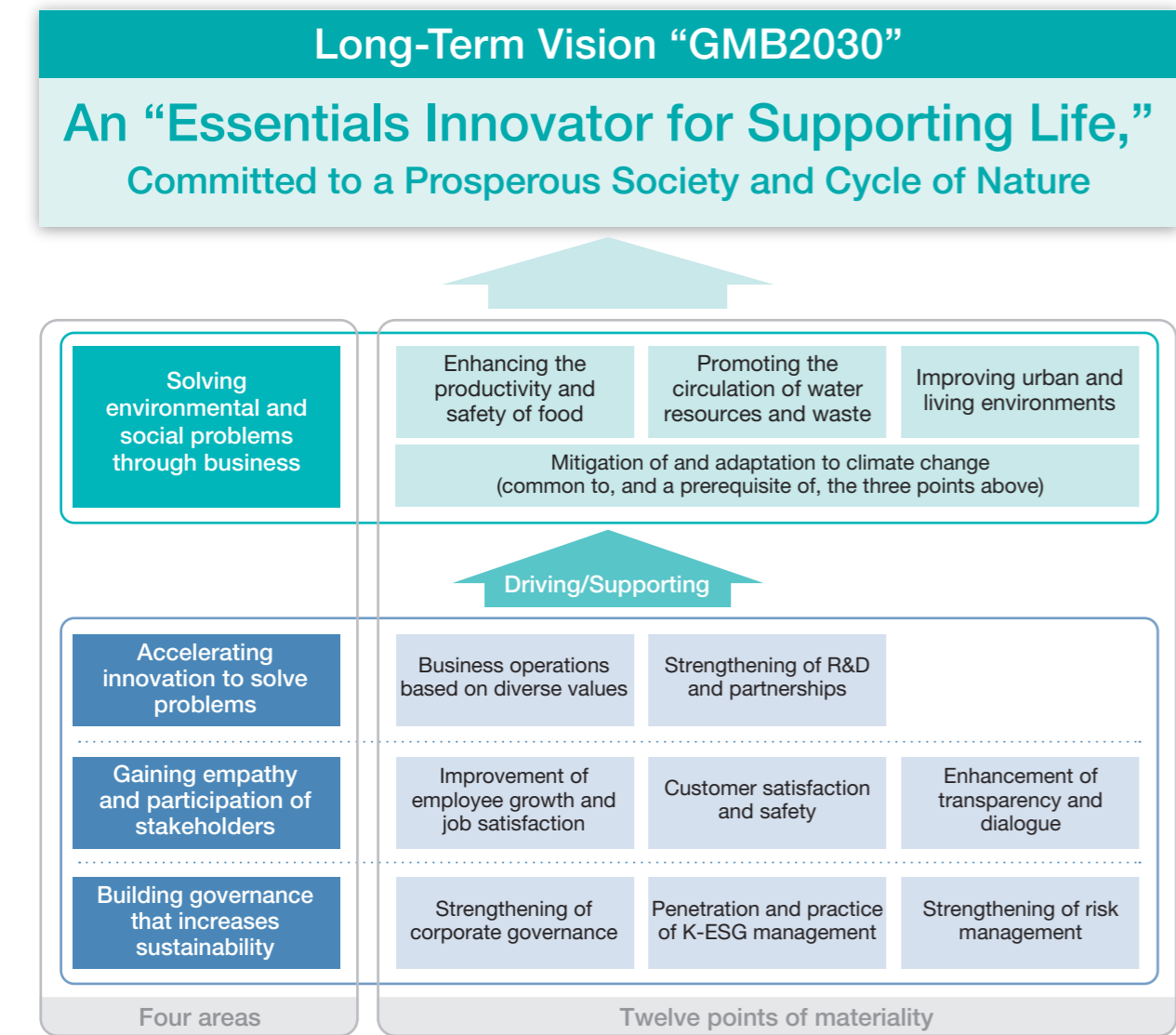
Our belief is that the heart of K-ESG management is creating corporate value—a combination of social value and economic value—by resolving environmental and social issues through our business activities, while passing down the Kubota heritage since the company’s founding. To that end, it is vital that we accelerate innovation, gain the empathy and participation of stakeholders, and create a corporate governance system that allows us to implement initiatives sustainably.

This is the way of thinking behind K-ESG management, the ethical and behavioral model to achieve the goals of the Long-Term Vision “GMB2030.”

- 1 We will continue to create corporate value (social value and economic value) by solving environmental and social problems through business.
- 2 We will resolve those problems through innovation.
- 3 We will forge ahead with initiatives by gaining the empathy and participation of stakeholders.
- 4 We will make our efforts sustainable through corporate governance that incorporates diversity and medium- and long-term perspectives.

## Materiality

We have set the areas of materiality connected to our K-ESG management, our ethical and behavioral code that guides our efforts toward the realization of “GMB2030,” by considering the demands of society and our stakeholders, as well as our vision for the Kubota Group and management direction. We have broken these down into twelve points of materiality in four areas, relating to the “What” of materiality—the initiatives to tackle climate change that are common to, and a prerequisite for, the success of our solutions and business activities we will expand to realize “GMB2030”—and the “How”—the measures that will drive and support these initiatives.



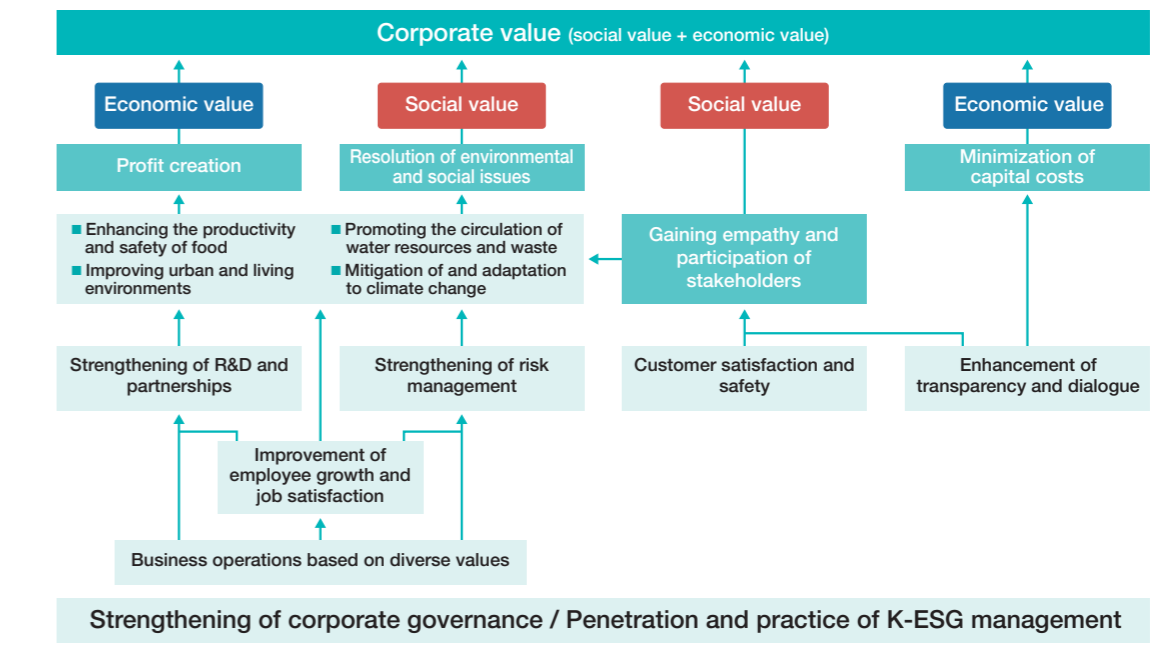
## Materiality Identification Process

Materiality is discussed by the ESG Management Strategy Meeting, which, under the direct control of the President, identifies materiality candidates with consideration to opinions and evaluations gained through dialogue with investors and shareholders. It then reports these to the Board of Directors, who decide on the final materiality. This materiality, and its indicators, are not fixed in stone, however; we are always carrying out reviews that take into account social trends and our business circumstances to ensure that we enhance the level of our K-ESG management. In 2022, executives formed the core of efforts to confirm anew the importance of each area of materiality and to discuss our ultimate objectives. As part of this, we also undertook a review of the indicators that measure our progress.



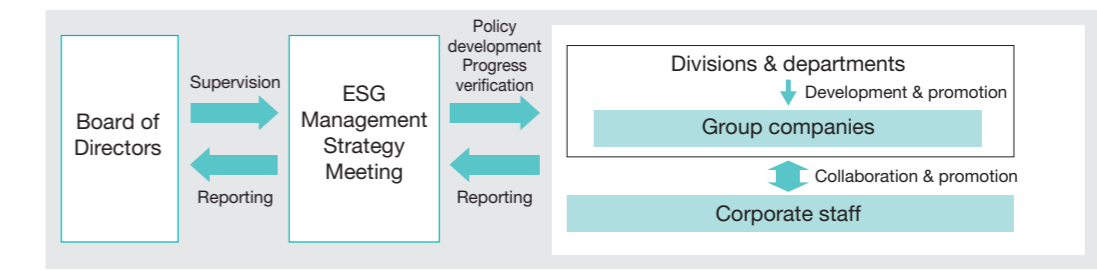
## Interrelationship Between Areas of Materiality

The interrelationship between different areas of materiality, and their relationship with corporate value, is hypothetically explained in the diagram below. Solving environmental and social issues (by promoting materiality related to business in the fields of food, water, and the environment) will create corporate value. Moreover, the empathy and participation of stakeholders, and a robust governance system, will also help to create corporate value and solve these problems.



## K-ESG Management Promotion Framework

The ESG Management Strategy Meeting, which comes under the direct control of the President, formulates policies, and also investigates and evaluates major measures, aimed at creating corporate value for the Kubota Group in the medium and long term. The meeting’s membership comprises the President and directors in charge of business divisions, finance, human resources, R&D, manufacturing, the environment, and other areas. Items decided on by the ESG Management Strategy Meeting are passed on to the business or corporate domains, who take them forward. They are also reported to the Board of Directors as and when necessary.



Note: In the names of organizations, we use “ESG” rather than “K-ESG.”

# Materiality Objectives and Indicators

Materiality	Reason for its importance	Ultimate objectives	Indicators	Medium- and long-term targets	FY2022 results/topics
Enhancing the productivity and safety of food	Four megatrends that we are witnessing are: attempts to achieve both economic growth and resource recycling, moves toward net zero greenhouse gas emissions, efforts to create a society where the marginal cost of products is close to zero through recycling and sharing, and the formation of new small and medium-sized communities that are not obsessed only with global capitalism. In response to these, we believe that there are three roles that we should play: providing solutions to support infrastructure in the areas of food, water, and the environment; realizing the development of a sustainable society and a circulation loop of nature; and, contributing to resolving social issues in a variety of communities.	An "Essentials Innovator for Supporting Life," committed to a prosperous society and cycle of nature	Progress of smart agriculture and other new solutions	To be disclosed	To promote smart agriculture globally, we came up with the Smart Agriculture Grand Design, and we promoted the development of smart agricultural machinery adapted to the individual needs of different regions, as well as the construction of an agricultural information platform.
Promoting the circulation of water resources and waste			Progress of resource recovery and other new solutions	To be disclosed	We promoted solving technical issues related to deep recycling technology, and the melting technologies that lie at its heart. We also moved forward with the construction of a system to commercialize the technology.
Improving urban and living environments			Progress of water environment platform and other new solutions	To be disclosed	In order to develop urban infrastructure that is low-cost and requires little manpower, we pressed forward with the construction of a self-joining pipe system that uses construction machinery.
Mitigation of and adaptation to climate change			Alongside the challenge to achieve zero environmental impact, we will contribute to realizing a carbon-neutral and resilient society in the fields of food, water, and the environment.	Emissions in Scopes 1, 2, and 3	Scopes 1 and 2: 50% reduction from 2014 levels Scope 3: To be disclosed (each to be achieved by 2030)
Business operations based on diverse values	Recognizing diverse values allows us to amplify our strengths and make up for our weaknesses, and will help us achieve a competitive advantage. By allowing our diverse employees to fully demonstrate their myriad abilities, we can create new value by responding to change and innovating, and this will also spur on business growth.	Our employment will be fair and will provide employees with equal opportunities, regardless of race, gender, nationality, age, or disability. On a global level, we will construct a positive, open culture where everyone can share their frank opinions, and put in place an environment where diverse employees can demonstrate their true capabilities.	<ul style="list-style-type: none"> <li>Progress on diversity among executive officers</li> <li>Proportion of female managers</li> </ul>	<ul style="list-style-type: none"> <li>Proportion of foreign executive officers: 10% (by 2025)</li> <li>Proportion of female managers: 7% (by 2030)</li> </ul>	<ul style="list-style-type: none"> <li>Proportion of foreign executive officers: 6% (as of January 1, 2023)</li> <li>Proportion of female managers: 4.3% (as of January 1, 2023)</li> <li>Implemented measures to raise psychological safety, such as by dropping hierarchical patterns of address</li> </ul>
Strengthening of R&D and partnerships	In recent years, the issues themselves have become more advanced and more complex. Solving those issues will therefore require us to further enhance our R&D capabilities. Furthermore, we can accelerate the speed of this process by bringing in new expertise through collaboration with business partners.	In order to foresee the ever-changing society and the issues that arise, and to proactively solve them, we can make better decisions. To enable this, we will take on board the latest expertise and opinions, embody them quickly and continuously in products and services that we can continue to offer society.	<ul style="list-style-type: none"> <li>Progress on the R&amp;D system</li> <li>R&amp;D results</li> </ul>	To be disclosed	<ul style="list-style-type: none"> <li>Opened the Kubota Global Institute of Technology in Japan and an R&amp;D site in North America</li> <li>Invested in three AgriTech start-ups</li> </ul>
Improvement of employee growth and job satisfaction	To be able to realize sustainable growth, our organization must be energetic and capable of responding to changes in the business environment flexibly. For that to happen, employees must feel motivated and hungry to tackle the challenge. Job satisfaction can be realized by enabling them to feel they are growing, and that they are making a real contribution to society and their colleagues.	In order for employees to get a sense of their own growth and the contribution that they are making to society and to their colleagues, we will aspire to be an organization that has developed an appropriate culture, systems, and mechanism so that employees can be motivated and feel a desire to work.	<ul style="list-style-type: none"> <li>Employee engagement score</li> <li>DX personnel</li> </ul>	Employee engagement score: 70 (by 2030) DX personnel: 1,000 (by 2024)	<ul style="list-style-type: none"> <li>Employee engagement score: 51</li> <li>DX personnel: 638</li> <li>Fostered a culture of taking on challenges and growth through 1-on-1 meetings with executives from business and indirect divisions</li> <li>Established the Kubota Data Ground Corporation</li> </ul>
Customer satisfaction and safety	By sticking close to our customers and picturing the future from their perspective, we will be able to discover issues at an early stage, and provide new value that exceed their expectations. Repeating this will lead to greater customer satisfaction, and to gaining their trust, which will allow us to make the greatest possible social contribution.	We aim not only to satisfy all our customers through our products and services, but also to impress them by exceeding their expectations.	Customer satisfaction	To be disclosed	<ul style="list-style-type: none"> <li>Pressed ahead with improvement activities based on customer questionnaires, and maintained customer satisfaction evaluations (in Japan and North America)</li> </ul>
Enhancement of transparency and dialogue	Highly transparent dialogues are linked to gaining the empathy and participation of employees, suppliers, and other stakeholders, which helps to support our business activities. A better understanding of the Kubota Group will enhance our corporate value.	By disclosing information on our corporate activities in a way that is highly transparent and appropriate, and through dialogue, we aim to provide stakeholders with an accurate understanding of its activities. This will help to gain their trust and empathy, and encourage more participation in our corporate activities.	External institution rating	Acquire the highest possible rating from a major external ratings agency (by 2025)	<ul style="list-style-type: none"> <li>Selected for the sixth year in a row for the Asia Pacific section of the Dow Jones Sustainability Indices</li> <li>Acquired a AAA rating, the highest level, from MSCI ESG</li> </ul>
Strengthening of corporate governance	Our highest management priority is to raise our overall corporate value, balancing long-term, stable economic value and social value. Therefore, it is necessary to achieve corporate governance that supports transparent, fair, prompt and decisive management.	Whatever the social landscape or the business environment we find ourselves in, we will continue to be a self-directed organization that can realize sustainable growth. To that end, our aim is to construct a governance system that has both auditing and executive functions that help to improve the quality of both, to achieve that permanence.	Effectiveness of the Board of Directors	To be disclosed	<ul style="list-style-type: none"> <li>Incorporated ROIC and ESG-measure progress into evaluation indicators, and introduced a new executive remuneration plan that is strongly linked to medium- and long-term improvements to corporate value</li> <li>Received the Governor of Tokyo Award at the Corporate Governance of the Year® 2022 Awards</li> </ul>
Penetration and practice of K-ESG management	Sharing common values and codes of conduct among the global Kubota Group will allow us to attain "One Kubota," as well as business development. This will then support our efforts to solve environmental and social issues.	Every executive and employee in the Kubota Group understands our corporate principles, our vision, and our K-ESG government, and will work under our "One Kubota" approach to solve environmental and social issues.	Penetration of the corporate principles and vision among employees	Penetration score: 75 (by 2025)	<ul style="list-style-type: none"> <li>Penetration score: 52</li> <li>Continuous dialogue about "GMB2030" and other topics through 1-on-1 meetings with the president or vice president (also held in North America in 2022)</li> </ul>
Strengthening of risk management	Changes to the social landscape or the business environment are becoming more severe with every passing year, and risks are becoming ever-more diverse. A response to risks that is speedier and more effective than ever is indispensable in our quest to create sustainable corporate value.	We update our list of risks as they appear due to advances over time or changes to the social landscape or business environment and work to control them. We also possess the high-level capabilities to respond to crises, should they occur. Around the world, we will roll out the systems and mechanisms that allow us to do this, so that we can make decisions, and respond, swiftly.	Progress toward the creation of a risk management system	Construct a global risk management system and implement due diligence (by 2025)	<ul style="list-style-type: none"> <li>Established the Kubota Group Risk Management Committee</li> <li>We carried out risk assessments and started to attach priority levels to the risks we need to address</li> </ul>

\* Indicators for "Strengthening of R&D and partnerships," "Enhancement of transparency and dialogue," and "Strengthening of risk management" have been amended in line with a materiality review.