

For Earth, For Life
Kubota

Kubota Group

INTEGRATED REPORT 2023



Publication of the Kubota Group INTEGRATED REPORT 2023

How the Kubota Group Creates Value in Its Quest to Be an “Essentials Innovator for Supporting Life”

With this integrated report, the Kubota Group’s aim is to explain to its stakeholders its approach and efforts to raise corporate value sustainably, in line with management strategies that take a medium- to long-term perspective. Through discussions, it hopes to gain their empathy and participation.

Last year was the first year that we published the report in this format, and it included three special features that introduced Long-Term Vision “GMB2030” and examples of the efforts to realize it; the Environmental Vision that describes where we want to be, environmentally by 2050; and messages from outside directors about how to implement K-ESG management, the Kubota Group’s own unique approach to ESG topics.

In this year’s integrated report, in response to the feedback we gained from shareholders and investors, we have included fuller explanations of our value creation processes and implementation strategies based on six types of capital we will utilize to achieve the Long-Term Vision. We also introduce feedback from the employees who are on the front lines of our efforts to create value that we gained at through employee roundtable discussions. We have also disclosed more information on targets for the areas of materiality that we announced last year, and recognized how these tie into our Long-Term Vision and each of the measures we are taking.

We in the Kubota Group will continue to work to resolve environmental and social issues through our business in the fields of food, water, and the environment; through the dialogue that this integrated report is intended to encourage, we aim to be a corporate group that is trusted and needed by society.

INTEGRATED REPORT 2023 Editorial Team

Period covered by the
INTEGRATED REPORT 2023

From January 2022 to December 2022

* Matters outside the above period are partially included.
* We intend to update the report each June, with the next edition scheduled for June 2024.

Boundary of the
INTEGRATED REPORT 2023

In principle, the entire Kubota Group is covered.

* Some statements may refer to the non-consolidated Kubota.



* For details of SDGs (Sustainable Development Goals), please see the United Nations Information Centre website.
www.un.org/sustainabledevelopment/

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The path that the Kubota Group has taken since its founding, as it has worked on a global scale to resolve issues related to food, water, and the environment, as well as its current situation. Includes information on the Kubota Group’s corporate principles.
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Value Creation Objectives

The value creation processes that the Kubota Group is implementing to achieve its Long-Term Vision “GMB2030,” including strategies and challenges, and detailed explanations. Includes information on the top management’s approach.
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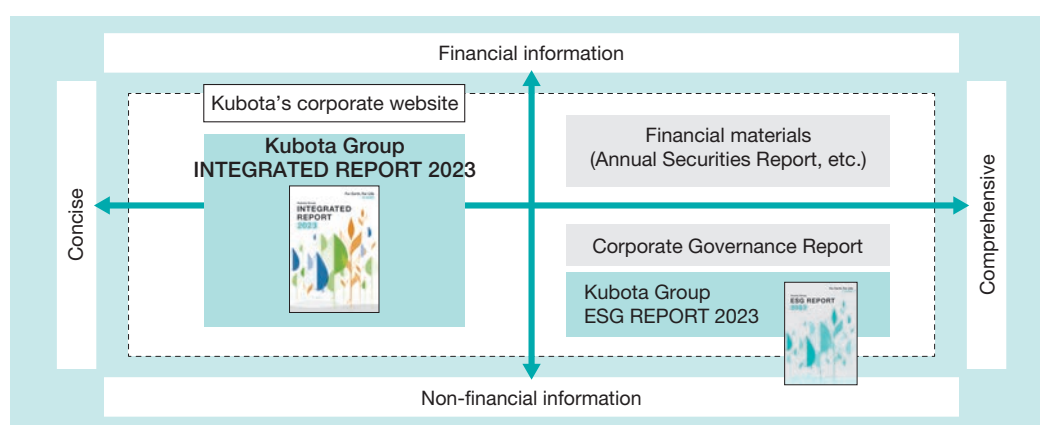
Foundation of Value Creation

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Results of Value Creation

The Kubota Group’s results and external evaluations for the past period, centered on fiscal 2022 performance, presented in summary.

How this report fits into our overall information disclosure



Main information disclosure tools	Details
Kubota’s corporate website	A website that covers everything about the Kubota Group, including the Long-Term Vision “GMB2030” and the Mid-Term Business Plan 2025.
Kubota Group INTEGRATED REPORT 2023	An annual report that focuses on Kubota’s approach, based on management strategies that take a medium-to-long-term perspective, and its future outlook.
Kubota Group ESG REPORT 2023	An annual report that provides particular detail on Kubota’s ESG-related initiatives.
Corporate Governance Report	A report listing details of systems and policies based on Kubota’s Corporate Governance Code.
Annual Securities Report	An annual report that provides particular detail on Kubota’s finances.

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Chapter

01

Value Creation Journey

Overview

Ever since its founding, Kubota Group has been tackling global issues related to food, water, and the environment.

Here we look at the source and the path of the value the Kubota Group has created, by looking at its corporate principles—inheriting its founder’s spirit—as well as its history of solving social issues and its growth.



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Founder's Spirit and Corporate Principles

In 1890, Gonshiro Kubota, the founder of the Kubota Group, started his metal casting business at the age of 19.

With his belief that, “We can achieve anything if we try,” and that, “We should not fear making mistakes,” Gonshiro was the first in Japan to mass produce iron water pipes or to mechanize agriculture; throughout its history it has contributed to the development of society. The spirit of the founder still lives and breathes in the 50,000 employees of the Kubota Group through the Spirits, Brand Statement, and Mission.

Corporate Principles

Kubota Global Identity

Spirits

- Work for the development of society by drawing on all of our capabilities and know-how to offer superior products and technologies.
- Build today and open the way to tomorrow, with the aim of bringing prosperity to the company and happiness to employees.
- Challenge the unknown with creativity and courage.

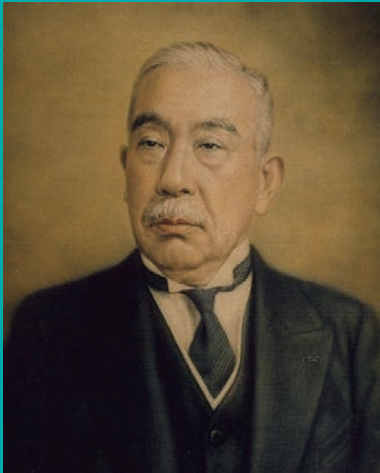
Brand Statement

For Earth, For Life

The Kubota logo consists of the word "Kubota" in a stylized, lowercase, teal-colored font. The letters are bold and have a modern, rounded appearance.

For Earth, For Life —

the Kubota Group promises to continue supporting the prosperous life of humans while protecting the environment of this beautiful earth.



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

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.

The world has many problems in the areas of food, water, and the environment, which are indispensable for human beings.

Those problems are not separate themes, but linked closely to each other.

The population growth has a great influence on environmental changes, brings problems to water resources, and leads to the short supply of food.

The Kubota Group considers food, water, and the environment as a singular theme and contributes to solve problems in these areas.

KUBOTA GLOBAL LOOP =
Relations among food, water, and the environment

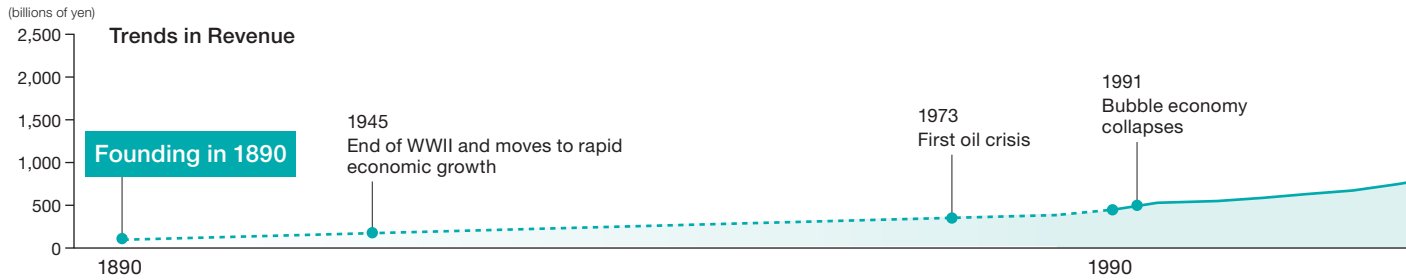
Food, water, and the environment are not separate themes,
but linked closely to each other.



Kubota Global Loop

Journey of Solving Social Issues

The Kubota Group has, since the time of its founding, contributed to society in fields that are indispensable for all human beings in the world: food, water, and the environment. This remains the basis of our mission, as we work to continue supporting the richer lives of humans while protecting the environment of this beautiful earth as an “Essentials Innovator for Supporting Life” that is committed to a prosperous society and cycle of nature.



Food

Year	Product/Event
1890	Founding in 1890
1947	Developed the cultivator
1947	Developed the tractor
1960	Started manufacturing the original model of the modern rice transplanter
1968	Started manufacturing implements in the U.S.
1989	Started the combine harvester business in China
1998	Started the combine harvester business in China

Water

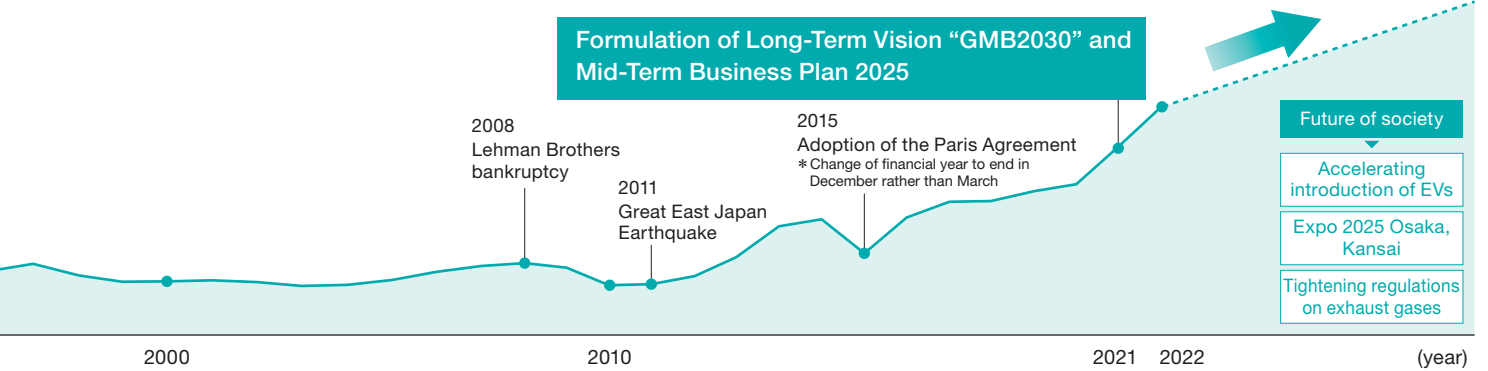
Year	Product/Event
1893	Started manufacturing iron pipes for water supply
1952	Began manufacturing pumps, as well as centrifugal casting pipes
1960	Completed Japan's first overseas water pipe project in Cambodia
1962	Entered the environmental improvement business (water supply, sewage, etc.)
2001	Actively expanded the overseas business for submerged membrane unit

Environment

Year	Product/Event
1922	Started manufacturing oil-based engines for agro-industrial purposes
1974	Started manufacturing mini excavators
1974	Started manufacturing compact construction machinery in Germany
1989	Contributed to the construction of Tokyo's Aqua-Line with steel pipe piles and steel pipe sheet piles

1890–1950	1951–1972	1973–2009
From Kubota's founding to the chaos in society before and after the war	From rapid economic growth to an era of stability	From the age of low growth to an era of globalization
<ul style="list-style-type: none"> • Growing needs for water and sewage infrastructure with the rapid spread of waterborne infectious diseases • Rise of heavy industry • Growing needs for mechanization with post-war food shortages 	<ul style="list-style-type: none"> • Growing needs for modern water and sewage infrastructure • Increasing demand for better urban infrastructure • Worsened water pollution and other environmental damage 	<ul style="list-style-type: none"> • Growing needs for mechanization suited to each country or region • Greater demand for food due to increased population in developing countries • Accelerated overseas expansion due to the appreciation of the Japanese yen

Formulation of Long-Term Vision “GMB2030” and Mid-Term Business Plan 2025



Established the first Japanese-owned tractor production plant in Thailand



Developed the KSAS cloud-based agricultural management support service using ICT and its compatible agricultural machinery



Acquired GPM, a U.S. implement manufacturer



Made the Indian company Escorts a consolidated subsidiary

2009

2014

2016

2022



Installed earthquake-resistant ductile iron pipes for the first time in the U.S.



Constructed water treatment facilities in Myanmar



Developed the K SIS smart water infrastructure system using ICT



Developed WATARAS, a farm water management system

2012

2015

2017

2019



Began operating intermediate treatment facility for industrial waste in Kagawa Prefecture



Became the first company in the world to meet stage 4 emissions regulations under the U.S. CARB system



Developed a construction machinery fault diagnosis app



Started manufacturing compact track loaders in North America

2003

2011

2020

2022

GMB 2030

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

2010–2016
Further global expansion

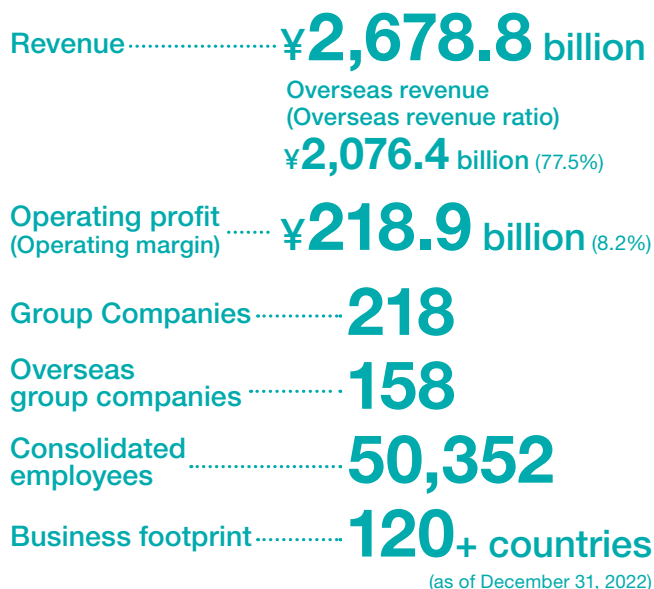
- Rise of natural disaster preparedness activities and climate change countermeasures
- Increasing environmental awareness and more stringent emissions regulations
- Greater demand for improved farming efficiency and labor savings due to the declining number of farmers

2017 and beyond
Building a more sustainable society

- Necessity of sustainable economic growth (adoption of SDGs)
- Necessity of carbon neutrality for society
- Greater use of IoT

The Kubota Group in Numbers

Since its founding, the Kubota Group has grown along with the development of the country by providing products and services that address social issues. Now, our development and production sites, as well as our partnerships, have expanded to cover the world. Our products and services are tailored to match the characteristics of each region, and are playing their part in solving the issues that face global society.



Global expansion

Founding February 1890

Gonshiro Kubota, the founder of the Kubota Group, started his metal casting business in Osaka.

Entry into an overseas market September 1972

We established Kubota Tractor Corporation in California, U.S., to act as a sales site for our Kubota tractors.

Start of local production overseas July 1989

We established a group company in Germany to act as a manufacturing site for compact construction machinery, which already held the biggest share of sales in Europe, and began local production.

Innovation

Creation of innovation centers

June 2019

We opened the Innovation Center in Japan, and then in July one in Europe, in order to strengthen our development structure to achieve open innovation.

Collaborations with external companies and organizations

26 projects

(announced since June 2019)

Since the opening of the innovation centers, partnerships—including those announced with startups—are expanding worldwide, and there are expectations for collaborations in various product fields.

KSAS users

21,700+ sites in total

(as of December 2022)

The KSAS cloud-based farm management support service, which we launched in 2014, has evolved over the years thanks to user feedback, and is an increasingly user-friendly system that helps farmers raise the sustainability of their operations.

Sustainability

Emissions compared to 2014

23.6% decrease

We have set ourselves the target of cutting CO₂ emissions (in Scopes 1 & 2) by 50% by 2030, and by fiscal 2022 we have already achieved a reduction of 23.6%.

MSCI ESG rating

AAA

The Kubota Group was ranked as a “Leader” among 30 companies from the construction machinery, agricultural machinery, large-cargo-vehicle industries.

Dow Jones Sustainability Indices (DJSI) Asia Pacific Index

Selected 6 years in a row

In 2022, Kubota was once again selected for inclusion in the Asia Pacific section of the Dow Jones Sustainability Indices, a global ESG investment index, for the sixth consecutive year.

Total Tractor Production Volume

More than
5.4 million
units worldwide
(cumulative)



Total Engine Production Volume

More than
30 million
units
(cumulative)



Share of Thailand Tractor Market / Share of Combine Harvester Market in 8 Countries in the ASEAN Region (total)*

No. 1

* For crawler combine harvesters only



Engine Line-up

Approximately
3,700 models

European Emissions Regulations

Stage V compliant

Sales Volume of Mini Excavators

Global **No. 1**
for **21** consecutive years

Source: Off-Highway Research



Global Supply Record of Ductile Iron Pipes

Over **70** countries



Submerged Membrane Unit Deliveries

More than
7,000 worldwide



Adoption Rate of Kubota Facilities for High-purity Water Treatment Facilities in Japan

Approximately more than
80%

* Based on activated charcoal-treated water volume



Note: Except where sources are provided, information included here is the result of Kubota research.

Chapter

02

Value Creation Objectives

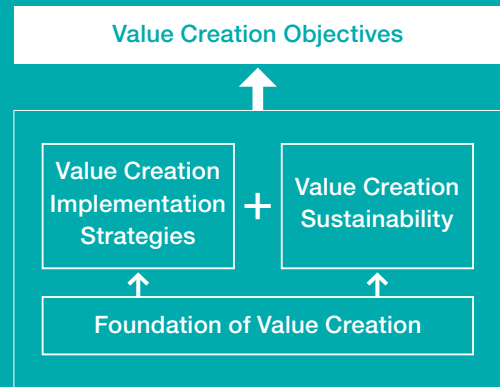
Overview

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.



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Top Message



Kubota



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”

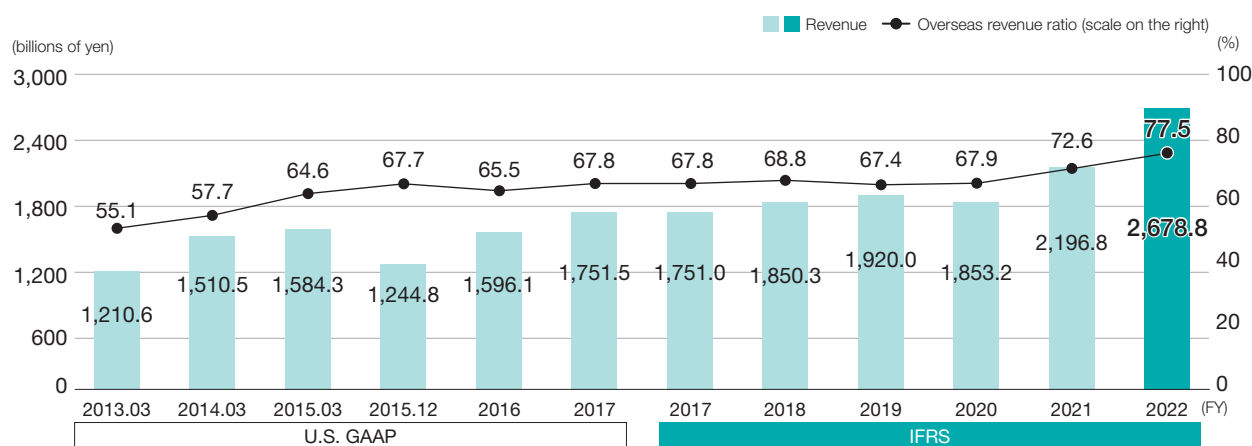
Resolving issues associated with growth to build a robust business structure

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.

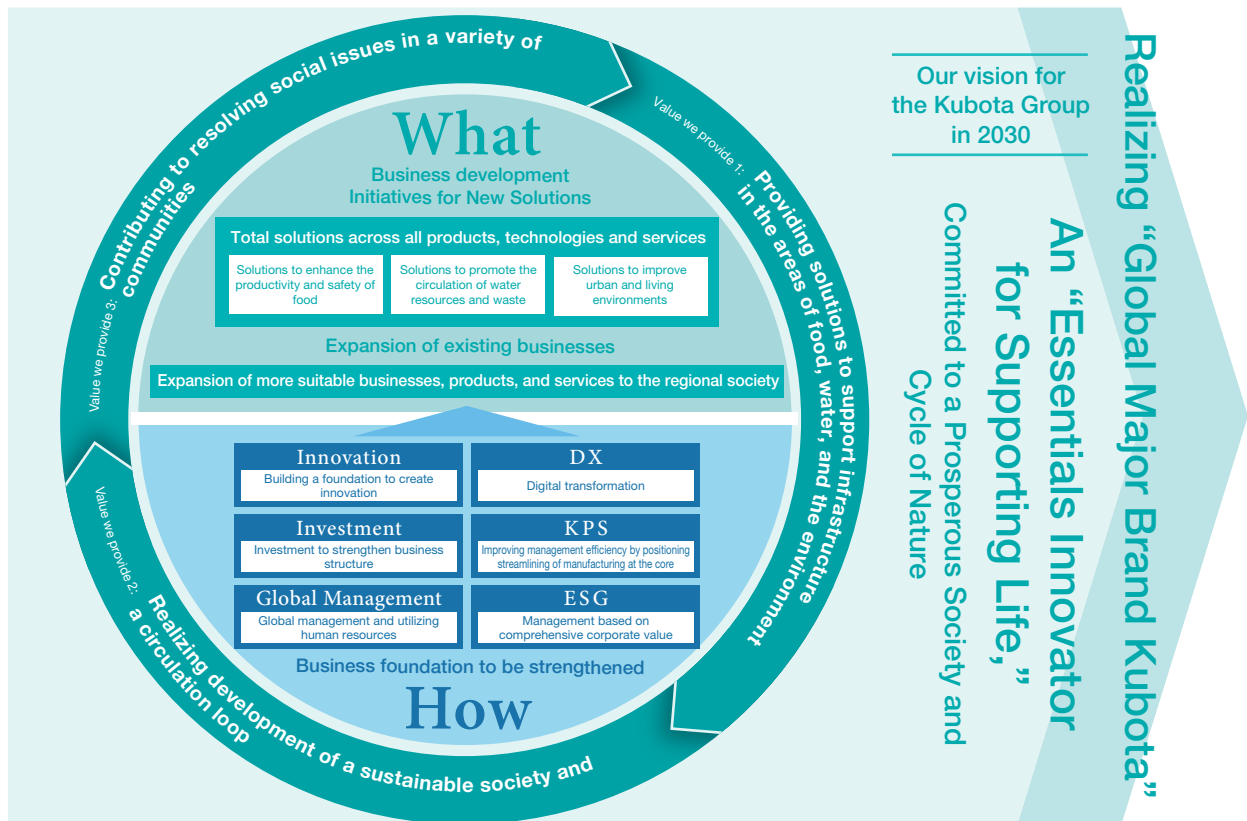
One challenge is that we have yet to become a global company. Although overseas revenue now accounts for about 78% of our revenue, Japanese-style management, in which a Japanese president is dispatched to manage local companies, is still our mainstream approach. In 1980, with tractor sales in the United 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.”

Overview 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.

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

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 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.

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

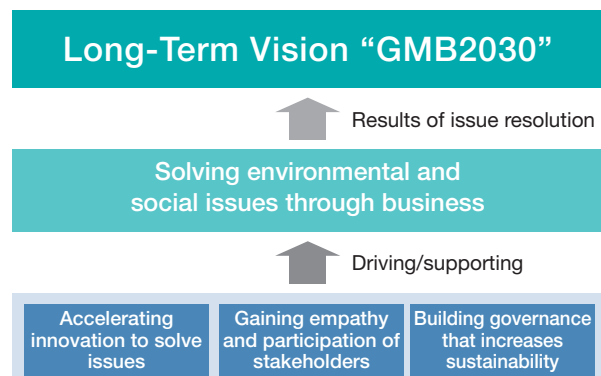
It has been two years since we took up the shift to business operations that place ESG at the core of management. With the ESG Management Strategy Meeting established, we have discussed company-wide policies and individual issues related to environment, society, and governance. Although the introductory 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 CO₂ emissions, making contributions to society by reducing carbon emissions is also important. For example, Japan emits

about 1.12 billion tons of CO₂ annually, of which agriculture accounts for about 50 million tons. Tractors emit about 2 million tons of CO₂, most of which comes from methane gas and N₂O (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

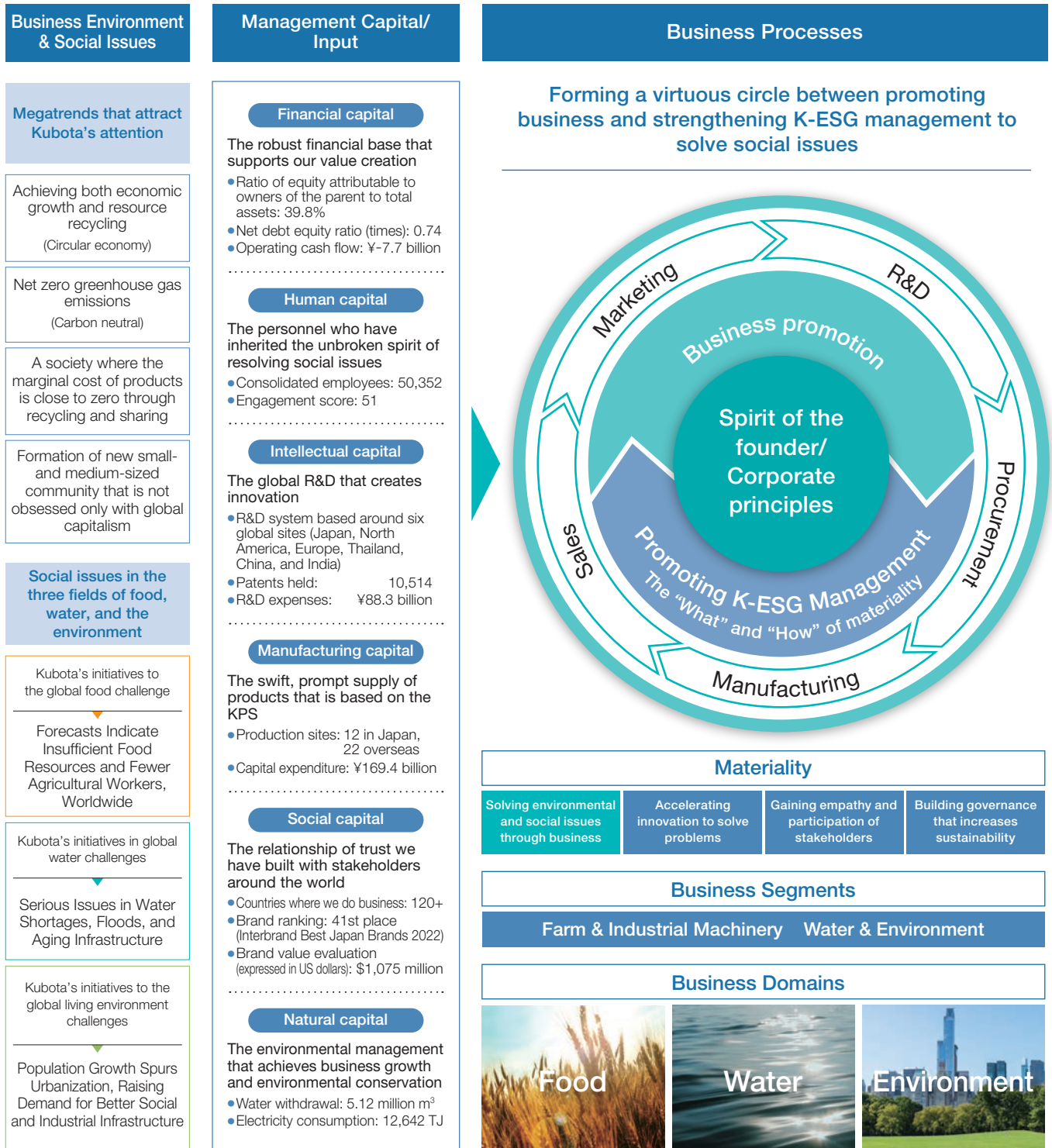
tenaciously committed to achieving our vision.

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"

Output

A major shift to become a solution provider for the next generation

FY2022		Mid-Term Business Plan 2025	
Financial KPIs			
Revenue	¥2,678.8 billion	Revenue	¥2,300.0 billion
Operating profit	¥218.9 billion	Operating profit	¥300.0 billion
ROE	8.8%	ROE	11% or higher
Operating cash flow			
¥880.0 billion (cumulative total of 5 years)			
Non-financial KPIs			
CO ₂ emissions: (Scopes 1 and 2)	585 kilotons		
Waste discharge:	112 kilotons		

Outcomes

GMB2030

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

Providing total solutions through synergies between our three fields

↓

Food

By making agriculture more efficient, we contribute to the abundant and stable production of food.

1 NO POVERTY

2 ZERO HUNGER

Water

By developing water infrastructure, we contribute to reliable water supply and restration.

3 GOOD HEALTH AND WELL-BEING

6 CLEAN WATER AND SANITATION

Environment

By developing social infrastructure, we contribute to the creation and the preservation of comfortable living environments.

7 AFFORDABLE AND CLEAN ENERGY

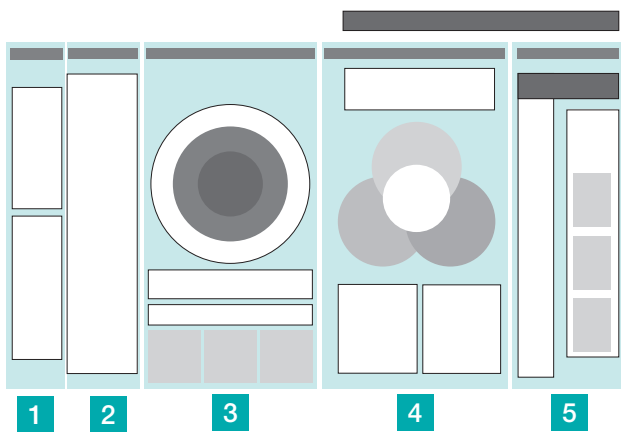
11 SUSTAINABLE CITIES AND COMMUNITIES

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.



- 1** Business environment & social issues: Shows the social issues that we identified during the process of formulating “GMB2030,” and that we have analyzed as being ones we should actively work to address
- 2** Management Capital/Input: Categorizes our management capital into six categories, and provides figures that show where we are at present
- 3** Business processes: Shows our unique business process cycle and an overarching view of our business, including the materiality that stands in the way of realizing our vision
- 4** Output: Shows the KPIs that are the results of our approach to delivering value to society, the way we resolve social issues through three solutions
- 5** Outcomes: Shows our goals for 2030 and the value that we provide to society

Management Capital/Input



Financial capital

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.



Human capital

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.



Intellectual capital

Alongside the technologies and expertise that we have accrued over a history that stretches back more than 130 years, we also possess R&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&D and with this we will expand our intellectual capital, and use that capital toward innovation creation and problem-solving to create value.



Manufacturing capital

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.



Social capital

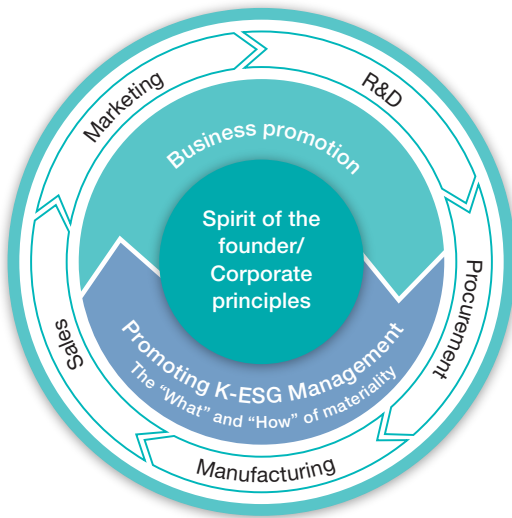
We operate our businesses in such as to support relationships of trust with a multitude of stakeholders in different countries, including suppliers, agents, governments, and local people. Our belief is that the “S” in “K-ESG” should also stand for “Stakeholders” and by improving transparency and dialogue, we will build relationships that help us to gain the empathy and participation of even more stakeholders.



Natural capital

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.

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.

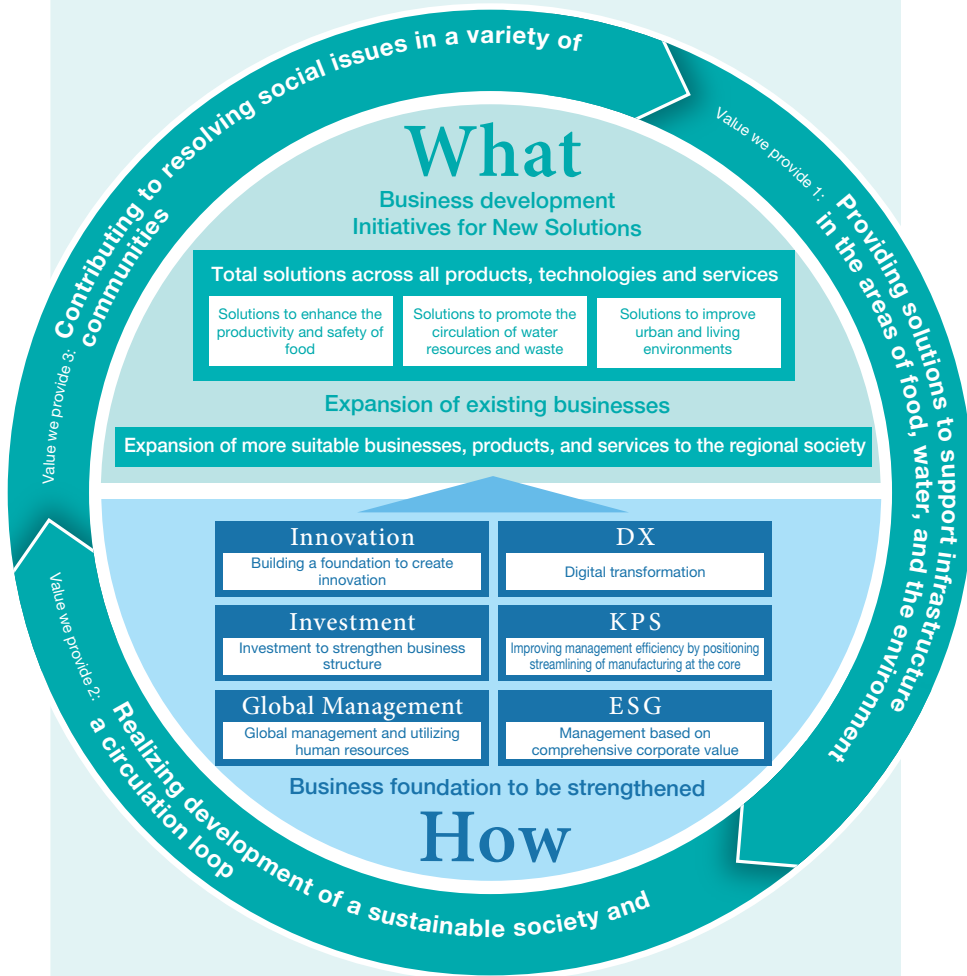
Long-Term Vision “GMB2030”

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	Kubota’s initiatives in global water challenges	Kubota’s initiatives to the global living environment challenges
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

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.

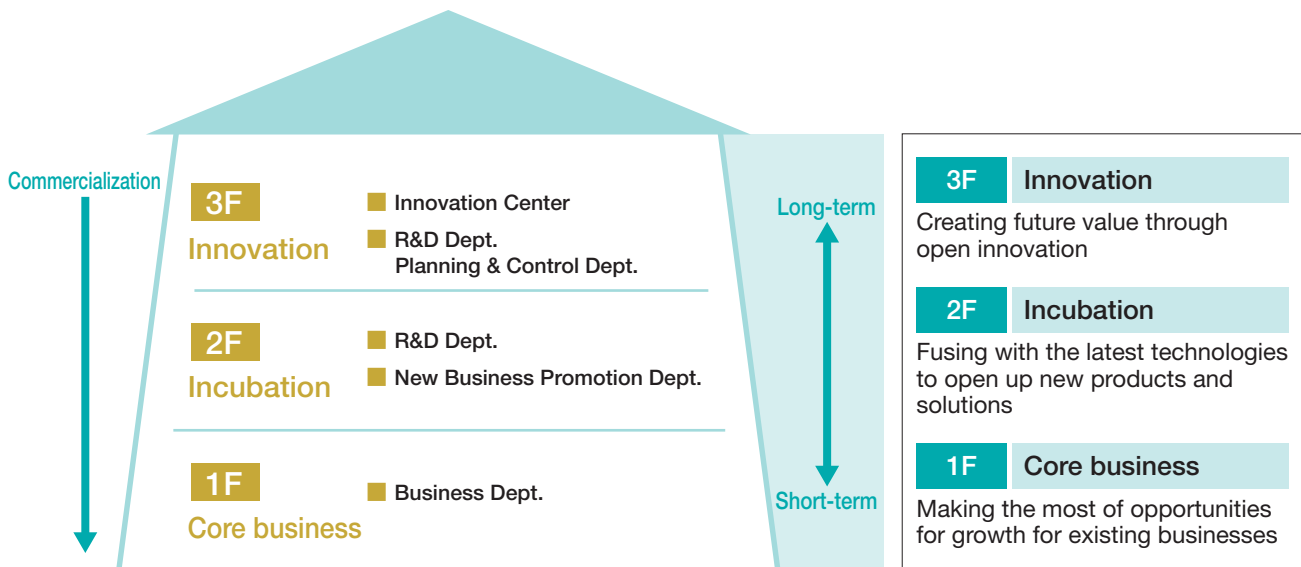
Through the purification of domestic wastewater and sewage, we are improving water quality and reducing pollution caused by processes that are a part of economic development. We are also helping to recycle water resources through products and services that use water reclamation technologies. In line 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.



Increasing Global Population and Demand for Food

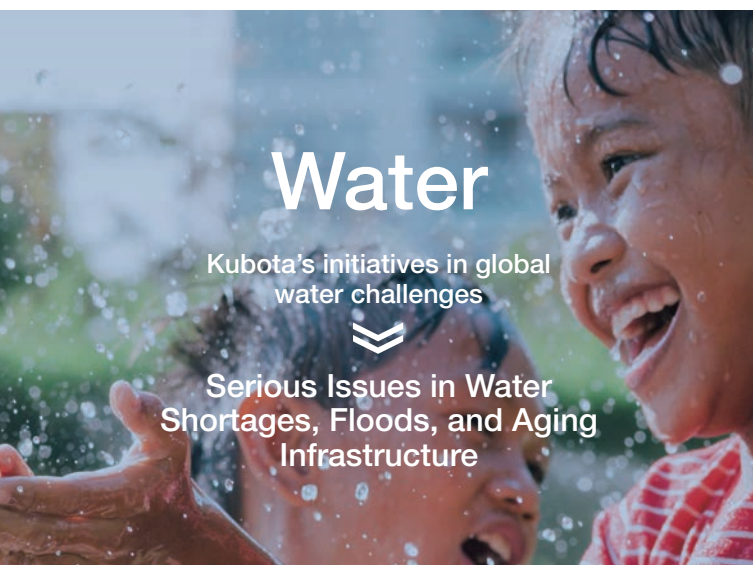
The world's population is heading toward 10 billion. Concerns of a global food shortage

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



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)



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

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)

Global population

2019 **7.7 billion** » 2050 **9.7 billion** » 2100 **11.0 billion**

Total no. of agricultural workers in Japan

2010 **2.60 million** » 2019 **1.68 million**

1.18 million aged 65+ Average age: **67**

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

Global water demand forecasts

2000 → 2050 **Approx. 55% increase (forecast)**

Water pipelines beyond legal lifespan in Japan

Replaced water pipelines in Japan

2006 **6%** » 2016 **14.8%**

2006 **0.97%** » 2016 **0.75%**

Water infrastructure deterioration problems will increase, particularly in developed countries

Heritage Cityscapes Conservation and Aging Challenges

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

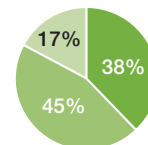
Developed countries built and improved community infrastructure during periods of vigorous economic growth. But that infrastructure is becoming obsolete, requiring urgent remedial measures. Cities having a long and illustrious history, especially some in Europe with heritage cityscapes, need to revitalize 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.

Growing world's urban population

1950 **751 million** » 2018 **4.2 billion** » 2050 **Approx. 6.7 billion**

Age of buildings in Europe

■ Built in 1960 or before
■ Built 1961–1990
■ Built 1991–2010



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

K-ESG Management Initiatives

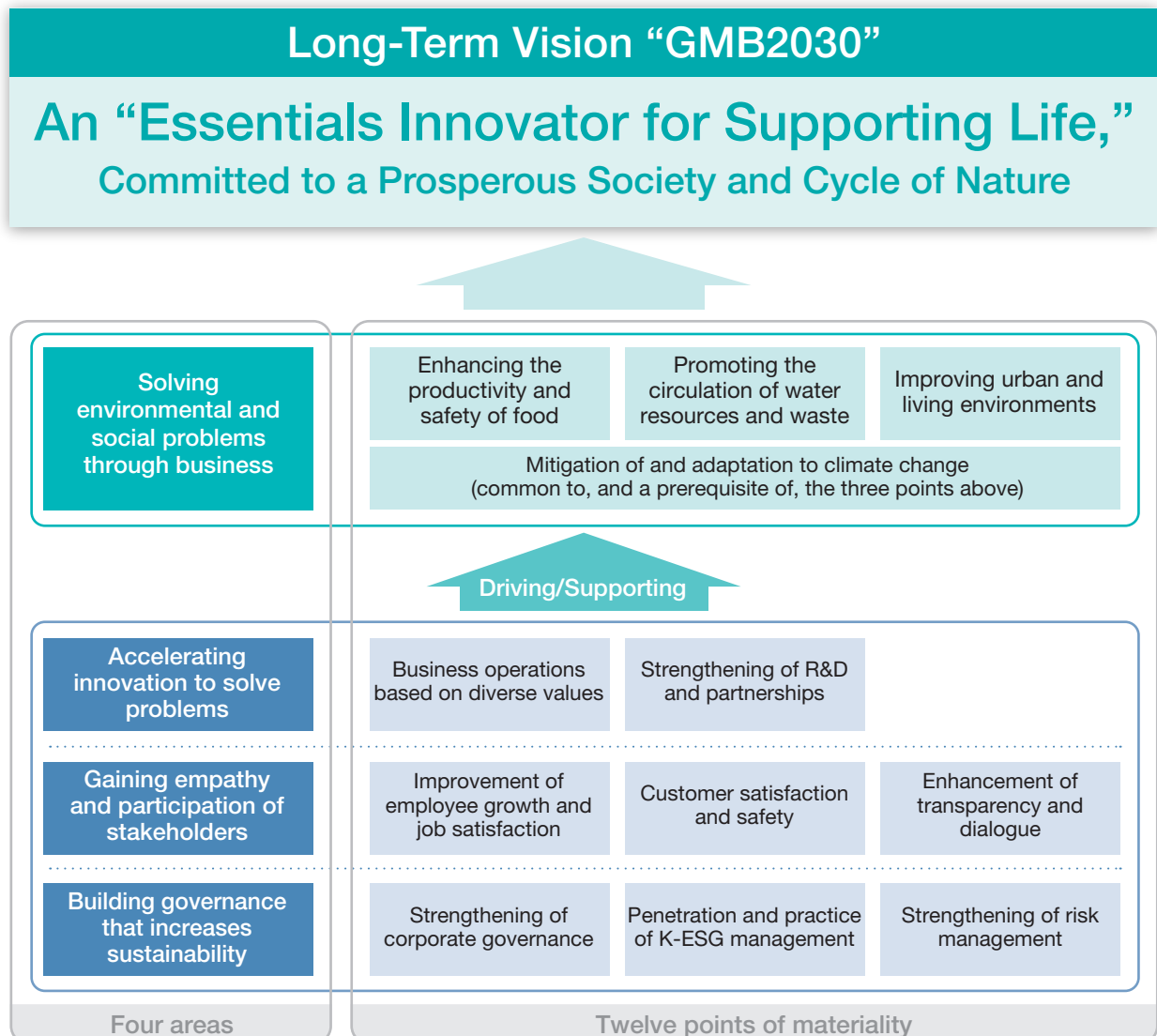
Our belief is that the heart of K-ESG management is creating corporate value—a combination of social value and economic value—by resolving environmental and social issues through our business activities, while passing down the Kubota heritage since the company’s founding. To that end, it is vital that 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.



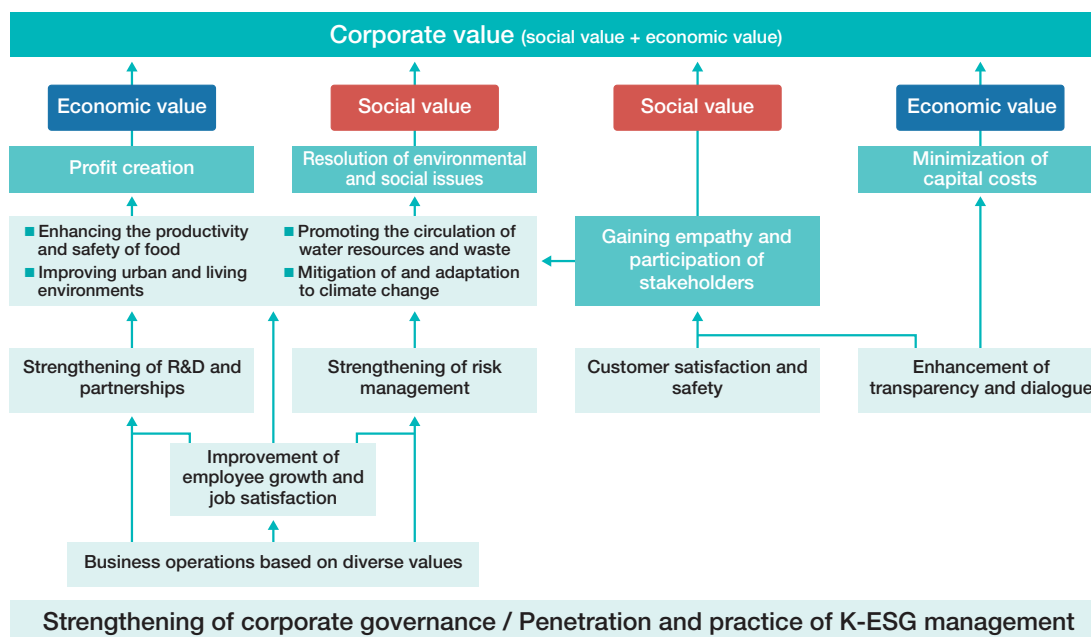
Materiality Identification Process

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.



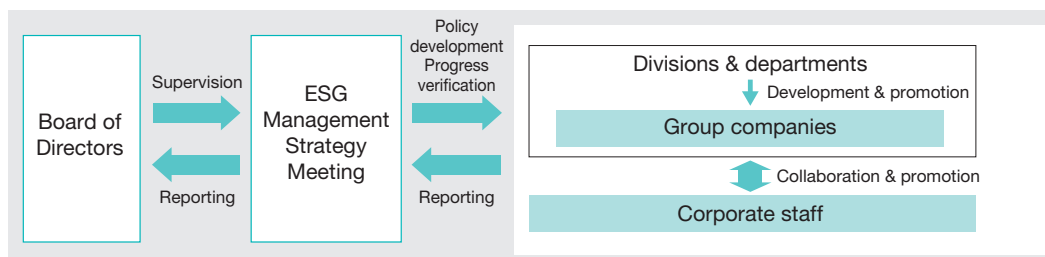
Interrelationship Between Areas of Materiality

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
<p>Enhancing the productivity and safety of food</p>	<p>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.</p>	<p>An “Essentials Innovator for Supporting Life,” committed to a prosperous society and cycle of nature</p>
<p>Promoting the circulation of water resources and waste</p>		
<p>Improving urban and living environments</p>		
<p>Mitigation of and adaptation to climate change</p>		
<p>Business operations based on diverse values</p>	<p>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.</p>	<p>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.</p>
<p>Strengthening of R&D and partnerships</p>	<p>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.</p>	<p>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.</p>
<p>Improvement of employee growth and job satisfaction</p>	<p>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.</p>	<p>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.</p>
<p>Customer satisfaction and safety</p>	<p>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.</p>	<p>We aim not only to satisfy all our customers through our products and services, but also to impress them by exceeding their expectations.</p>
<p>Enhancement of transparency and dialogue</p>	<p>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.</p>	<p>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.</p>
<p>Strengthening of corporate governance</p>	<p>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.</p>	<p>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.</p>
<p>Penetration and practice of K-ESG management</p>	<p>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.</p>	<p>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.</p>
<p>Strengthening of risk management</p>	<p>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.</p>	<p>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.</p>

	Indicators	Medium- and long-term targets	FY2022 results/topics
	<ul style="list-style-type: none"> 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.
	<ul style="list-style-type: none"> 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.
	<ul style="list-style-type: none"> 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.
	<ul style="list-style-type: none"> 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)	<ul style="list-style-type: none"> Scopes 1 and 2: 23.6% reduction from 2014 levels Ratio of renewable energy usage: 8.3% (FY2021: 1.5%) Promotion of electrification of furnaces, etc.
	<ul style="list-style-type: none"> Progress on diversity among executive officers Proportion of female managers 	<ul style="list-style-type: none"> Proportion of foreign executive officers: 10% (by 2025) Proportion of female managers: 7% (by 2030) 	<ul style="list-style-type: none"> Proportion of foreign executive officers: 6% (as of January 1, 2023) Proportion of female managers: 4.3% (as of January 1, 2023) Implemented measures to raise psychological safety, such as by dropping hierarchical patterns of address
	<ul style="list-style-type: none"> Progress on the R&D system R&D results 	To be disclosed	<ul style="list-style-type: none"> Opened the Kubota Global Institute of Technology in Japan and an R&D site in North America Invested in three AgriTech start-ups
	<ul style="list-style-type: none"> Employee engagement score DX personnel 	Employee engagement score: 70 (by 2030) DX personnel: 1,000 (by 2024)	<ul style="list-style-type: none"> Employee engagement score: 51 DX personnel: 638 Fostered a culture of taking on challenges and growth through 1-on-1 meetings with executives from business and indirect divisions Established the Kubota Data Ground Corporation
	<ul style="list-style-type: none"> Customer satisfaction 	To be disclosed	<ul style="list-style-type: none"> Pressed ahead with improvement activities based on customer questionnaires, and maintained customer satisfaction evaluations (in Japan and North America)
	<ul style="list-style-type: none"> External institution rating 	<ul style="list-style-type: none"> Acquire the highest possible rating from a major external ratings agency (by 2025) 	<ul style="list-style-type: none"> Selected for the sixth year in a row for the Asia Pacific section of the Dow Jones Sustainability Indices Acquired a AAA rating, the highest level, from MSCI ESG
	<ul style="list-style-type: none"> Effectiveness of the Board of Directors 	To be disclosed	<ul style="list-style-type: none"> 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 Received the Governor of Tokyo Award at the Corporate Governance of the Year® 2022 Awards
	<ul style="list-style-type: none"> Penetration of the corporate principles and vision among employees 	<ul style="list-style-type: none"> Penetration score: 75 (by 2025) 	<ul style="list-style-type: none"> Penetration score: 52 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)
	<ul style="list-style-type: none"> 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"> Established the Kubota Group Risk Management Committee We carried out risk assessments and started to attach priority levels to the risks we need to address

* 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.

Chapter

03 Value Creation Implementation Strategies

Overview

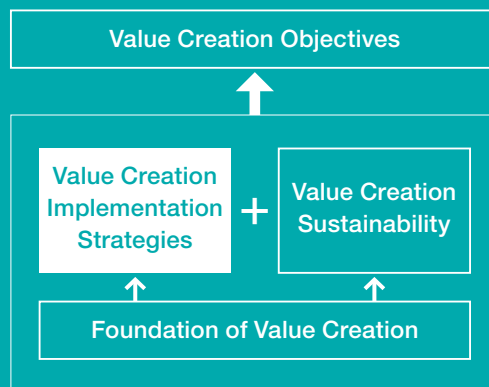
As part of our commitment to value creation objectives, we, at the Kubota Group, have formulated Mid-Term Business Plan 2025, forging ahead in line with the implementation strategies identified in the plan. We promote business operations by positioning our unique ESG at the core of management, and strengthening our financial, human, intellectual, and manufacturing capital.



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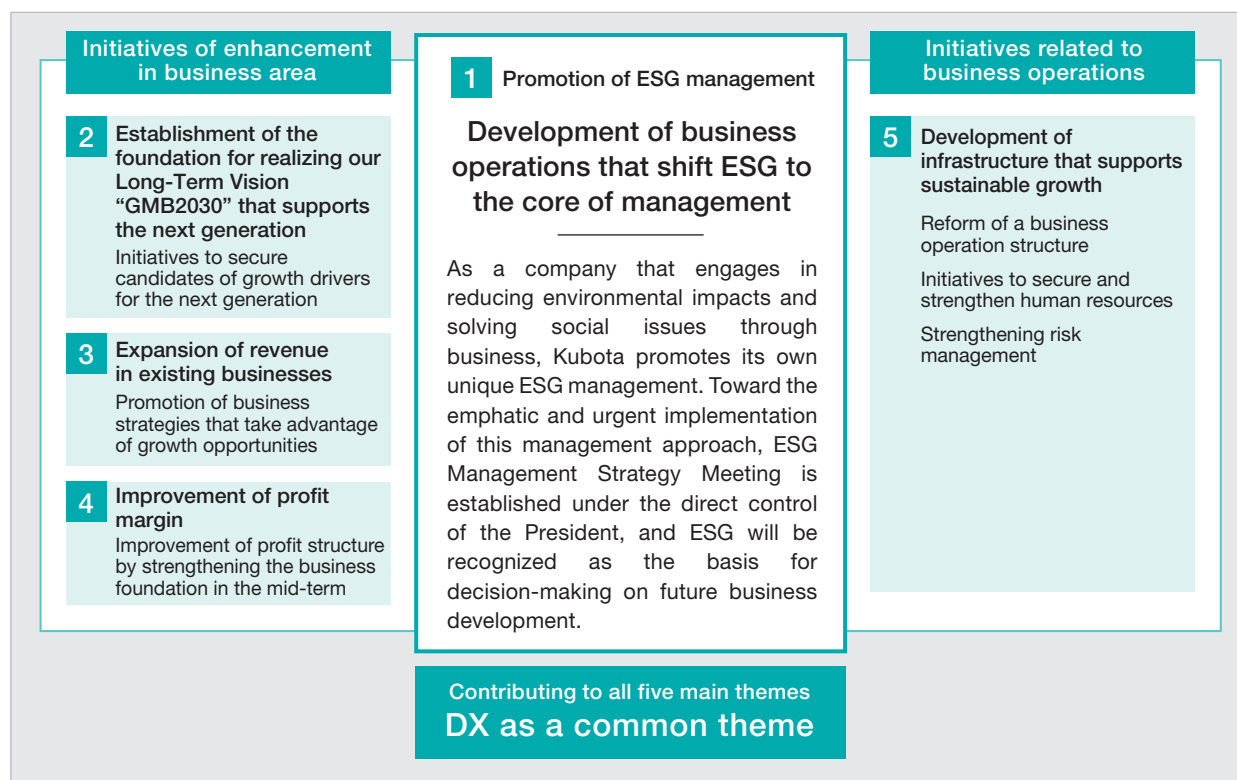
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Progress of Mid-Term Business Plan 2025

With the aim of becoming an “Essentials Innovator for Supporting Life,” committed to a prosperous society and cycle of nature—as outlined in our Long-Term Vision “GMB2030”—we have been working to implement Mid-Term Business Plan 2025. We plan to promote our five main themes and DX as a common theme, and develop business operations that shift ESG to the core of management.

Outline of Mid-Term Business Plan 2025



Financial Targets (as announced in February 2021)

Mid-Term Business Plan 2025 financial targets (PL) and FY2022 results

(billions of yen)

	FY2019 (Actual)	FY2025 (Target)	Increase/decrease from FY2019		FY2022 (Actual)
			Amount	%	
Revenue	1,920.0	2,300.0	+380.0	+19.8	2,678.8
Farm & Industrial Machinery	1,558.3	1,870.0	+311.7	+20.0	2,328.0
Water & Environment	330.1	400.0	+69.9	+21.2	327.6
Other	31.6	30.0	-1.6	-5.1	23.2
Operating profit	10.5% 201.7	13.0% 300.0	+98.3	+48.7	8.2% 218.9

Mid-Term Business Plan 2025 financial targets (Other) and FY2022 results

	2019 (Actual)	2021–2025 (Target)	FY2022 (Actual)
ROE	10.7%	Maintain over 10% / over 11% in 2025	8.8%
Shareholder return ratio	42.7%	Set the mid-term target of over 40%, and aim at 50%	46.4%
Operating cash flow	82.4 billion yen	880.0 billion yen (cumulative total of 5 years)	-7.7 billion yen
Free cash flow	-12.4 billion yen	280.0 billion yen (cumulative total of 5 years)	-177.3 billion yen

Promoting Growth Drivers

North America Construction Machinery business

Aiming for a significant increase in market share by expanding product lineup and locally integrated operations of development, production, and sales

We have successfully grown revenue and market share, and by transferring production bases have achieved greater production efficiency.

- Compact track loaders (CTLs) have expanded to account for half of the North American Construction Machinery business
- Production of CTLs in North America has begun and production capabilities have been enhanced
- Full model change has gone ahead and strides have been made on development of models in new horsepower ranges



Water & Environmental Solutions business

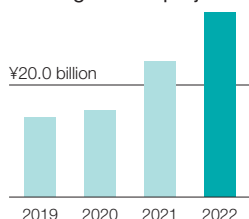
Along with the labor shortages in local governments and aging infrastructure, aiming to shift from equipment sales-oriented business to O&M- and solution-oriented business by utilizing IoT and other technologies

We have steadily increased sales in O&M and solutions.

- O&M resources have been secured by integrating subsidiaries
- KSIS will be strengthened, such as by steadily developing apps and services
- The Water & Environmental Solutions Developing and Sales Department has actively promoted marketing activities
- Wastewater processing project orders have increased and orders have started to come in for concession* projects



Backlog of PPP projects

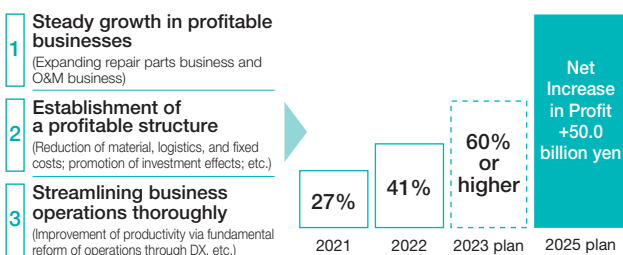


*Where local authorities retain ownership rights to facilities but outsource management rights to a private contractor on a long-term basis

Improvement of Profit Margin

While rising costs may make it difficult to see the results, we have made progress with improvement activities

- Steady growth in profitable businesses: expanding the repair parts business and increasing new O&M orders in environmental services
- Establishment of a profitable structure: promoting steady cost-lowering activities
- Streamlining business operations thoroughly: proceeding with DX, etc., but some time will be needed before the effects become apparent



- 1 Steady growth in profitable businesses**
(Expanding repair parts business and O&M business)
- 2 Establishment of a profitable structure**
(Reduction of material, logistics, and fixed costs; promotion of investment effects; etc.)
- 3 Streamlining business operations thoroughly**
(Improvement of productivity via fundamental reform of operations through DX, etc.)

Farm & Industrial Machinery Expansion of our business in India and entry into the basic machinery market

Leveraging synergies with Escorts Kubota Limited, aiming to increase market share in India, which is the largest tractor market in the world, and expand business globally by exporting basic machinery

Pursuing synergy

- Mutual use of the dealer network
- Introduction of the Kubota Production System (KPS) have been promoted
- R&D resources of both Kubota and Escorts Kubota Limited have been utilized



ASEAN Farm & Industrial Machinery business

Aiming for a further increase in sales of farm equipment and construction machinery along with urbanization

- Lineup of implements for agricultural work has been expanded
- Lineup of construction machinery has been expanded in line with growing demand resulting from urbanization
- Entry into agriculture-related business, such as farm design

Farm & Industrial Machinery After-market business

Aiming to expand "after-sales business" by utilizing abundant operating machineries on a global level

- Sales of secondary brand "K3R" components has started in 2023
- Demonstration testing of operational data aggregation using telematics has started

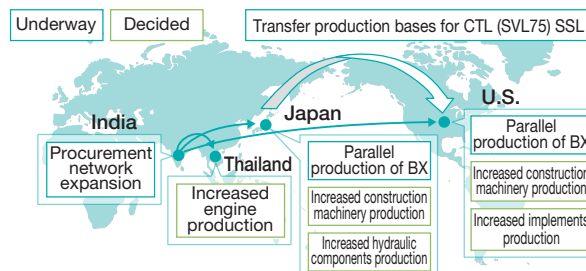
*K: Kubota
3R: Resolution, Reasonable, & Reliable



Development of Infrastructure That Supports Sustainable Growth

We have promoted the construction of a production system that aims at stable supply and 50% overseas production.

- Transfer of production bases to meet our target of increasing the ratio of production conducted overseas to 50% in order to lessen the risk associated with concentrating production in Japan
- Decision-making to strengthen production capabilities at several production bases
- Stable supply of products through flexible responses to the supply and demand situation, such as through parallel production in Japan and the U.S.



Financial Capital: Message from the Director in Charge of Finance



Realize “GMB2030” by allocating global management resources and increasing capital efficiency through penetration of ROIC.

Masato Yoshikawa

General Manager of Planning and Control Headquarters
Executive Vice President and Representative Director

Financial/Capital Strategy Summary and the Role of the Director in Charge of Finance

In terms of our policies toward financial and capital strategy, there are two points of particular importance. The first is the need to strengthen our production capabilities as we believe that, going forward, our business of manufacturing and selling products—such as tractors and construction machinery—can be further expanded. This will include a review of our production network inside and outside Japan, and will necessitate a strategy for stably procuring funding for increased capital expenditures. Of course, this will run in parallel to our efforts to evolve into a solutions provider and realize “GMB2023,” while also expanding into business fields that do not increase our debt burden.

The second point worthy of note is that, given global concerns about inflation and current predictions that capital procurement costs will increase due to interest rate rises, there are business areas where sales will grow and where we have the ability to earn, but there are also business areas where that is not true. As such, we must carefully examine which are which, and flexibly adjust our business portfolio accordingly. Those areas where we can stably create cash flows are where we need to allocate our management resources, which include our personnel, our goods, our funds, and our expertise. Moreover, as the business environment continues to change, it is important that we create a blueprint for the future so that we can respond flexibly and steer ourselves in the right direction.

As the director in charge of finance, I am the person ultimately responsible for finance at Kubota. My personal duties cover

two main areas. The first, my most important role, is to ensure that the Kubota Group’s management resources are distributed appropriately. It is difficult to raise profits with the same people making the same products in the same places. It is therefore vital that we switch to our systems for producing and procuring products and major components, and supplying markets, to optimal forms. The appropriate distribution of management resources across regions is also increasingly important. In the past, we paid great attention to how we were allocating domestic management resources but as the scale of our business overseas grows, we have to distribute the management resources we have around the world effectively, and tie this into business growth in each of the countries in which we operate.

My other major role is overseeing our internal key performance indicators (KPIs). Before now, the KPIs we set were revenue and operating profit. In the future, though, we want to go beyond thinking of profit and loss alone, and spread awareness within the Company of balanced KPIs that also consider the balance sheet and cash flows. This will lead to a review, and the transformation, of our business portfolio. One of the themes of Mid-Term Business Plan 2025 is a review of our shift to a global management structure, and so we must also revise KPIs so that they contribute to our global management structure, as well as putting in place the foundations that will allow us to allocate management resources appropriately.

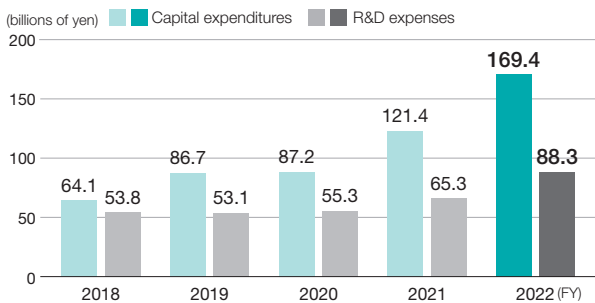
Progress of Mid-Term Business Plan 2025: Results and Issues Over the First Two Years

Let's look back at the first two years of Mid-Term Business Plan 2025. In FY2022, revenue came to ¥2,678.8 billion, which exceeded the FY2025 target of ¥2,300.0 billion. Operating profit, meanwhile, reached ¥218.9 billion. The reasons for revenue surpassing the target were (1) raising prices and (2) making Escorts Kubota Limited a wholly owned subsidiary. On the other hand, while we responded to rising costs of raw materials and logistics by raising prices, there is a delay on the effects of this due to back orders and similar. Price rises and similar also could not offset entirely the increase in costs in the same fiscal year, which prevented large profit increases. In addition, another major factor was a drop in the efficiency of factory operations compared to the past, as a result of supply chain chaos due to impacts such as

component shortages caused by lockdowns in Shanghai. While we went ahead with a variety of measures—including transferring production to overseas bases and diversifying suppliers—some of these will take a while to have an effect, and we expect that developing a more resilient procurement system will also take more time.

Free cash flows during the two-year period, meanwhile, posted negative ¥210.0 billion. M&A purchases for the two years totaled ¥200.0 billion yen, including ¥180.0 billion related to India's Escorts Kubota Limited and some other smaller purchases. Another major factor was capital expenditures of more than ¥290.0 billion in order to establish global R&D bases, increase production, and encourage greater use of IT.

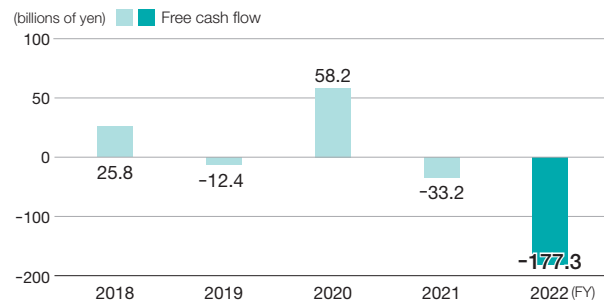
Trends in capital expenditures and R&D expenses



We are making some progress with the themes identified in Mid-Term Business Plan 2025. In the North American Construction Machinery business, which is a driver of growth, sales of CTLs have expanded close to expectations, and the Farm & Industrial Machinery business in the ASEAN region has performed well, excluding the political chaos occurring in Myanmar. Our aftermarket business has also seen a steady growth in component sales, while O&M in Water & Environment business has promoted the application of DX technologies. A reasonable amount of progress is, therefore, evident, and so we judge that efforts to strengthen existing businesses have been relatively successful. R&D is also making progress in line with plans, despite the significant financial burden of efforts such as strengthening our global research system, becoming carbon neutral, and developing autonomous driving.

Financial figures for Mid-Term Business Plan 2025, which take into account factors such as price rises and M&As, are forecast to

Trends in free cash flows



result in revenue of ¥3,000 billion, operating profit of ¥360.0 billion, and operating margin of 12%. Since the acquisition of Escorts Kubota Limited, the number of employees of the Kubota Group has exceeded 50,000. Human resources in Japan account for around 24,000 of those, so more than half of our employees are outside Japan. The move toward local development and production has also taken a step forward, so we predict the number of group employees overseas will increase. Considering this, under the current operational rules that are based on our business in Japan, there are some aspects of management, business, or human capital development that will be difficult for those overseas to feel as though they are taking part. That is why we need to move forward with work to develop a system based on global operations by 2025. Also, to realize "GMB2030," a major theme for the next three years will be creating a blueprint for new business development in 2026 and beyond.

Financial and Capital Strategy to Be Changed by the Introduction of ROIC

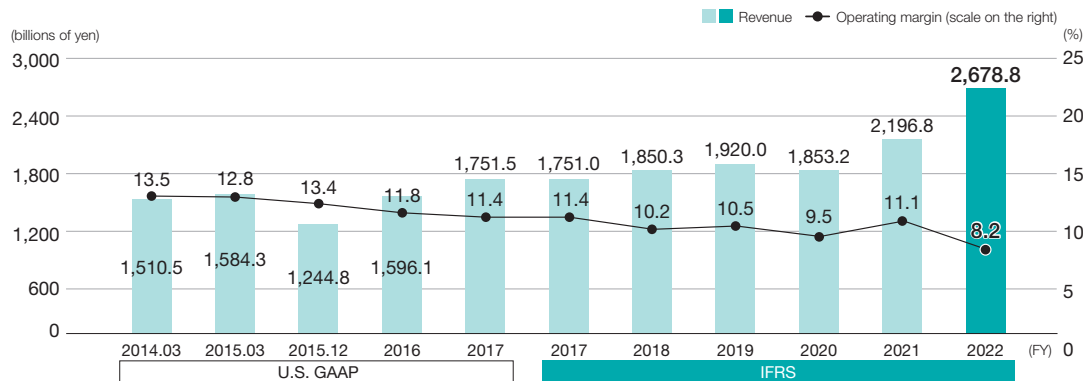
In the past, we have placed importance on growth, and this has meant that financial KPIs were focused on revenue and operating profit—i.e., monetary amounts—and the common belief in the Company is that increasing revenue would bring greater profit. However, since the peak operating margin of the period between FY2013 and FY2015 (when it reached 13–14%), it has dropped as we have made upfront investments in new regions and business fields. Taking into consideration in-house discussions

and dialogue with those connected to capital markets, in 2021 we switched to a focus on operating margin and other ratios. In the past few years, we have made some sizable capital expenditures and M&As, and it is important that we get a return on the capital we have invested from now on. In the final three years of Mid-Term Business Plan 2025, it is important to raise business returns to create cash flows and recover our investments. By doing so, we can secure the resources for future capital investments, bearing in

mind the issues of the first two years. To reduce interest-bearing debts, which have increased recently, is also important. Therefore, in terms of financial KPIs, revenue will remain an important KPI of

growth, but operating margin, ROIC, and free cash flows—i.e., future investment capital—must also be a focus.

Trends in revenue and operating margin



*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 we have pressed ahead with financial and capital strategies with consideration of ROIC, circumstances we see have changed. We have provided customers in the Farm & Industrial Machinery business with retail financing in the form of installment sale, and so we currently hold a great deal of interest-bearing debt (¥1,544.8 billion at the end of the last fiscal year). However, excluding this retail financing interest-bearing debt, at the end of the last fiscal year the Kubota Group maintained a net cash position. We could also calculate ROIC without the influence of this retail financing, but as it is a tool that we use to sell our products, we think it would be appropriate to manage ROIC as a single, unified indicator. In 2022, we also incorporated ROIC as one of the KPIs we use to determine remuneration for the Directors. We are, however, aware that our ROIC disclosure is still not enough, and this is due to both the big influence that retail financing has on it, and also because our discussions about what ROIC should be in the medium and long term are still ongoing. We believe we have a responsibility to keep all our stakeholders informed, and as such I hope they will understand. In terms of our efforts to spread awareness within the Company of more balanced financial KPIs, we need to have each department or employees in positions of responsibility appreciate the importance of financial KPIs as they do their jobs. If employees do not, this will not lead to various types of actions. That is why educational activities are my other major role as the director in charge of finance.

With regard to amounts, while the Farm & Industrial Machinery business accounts for the majority of our revenue and operating profit, our environmental services—which comprise engineering and O&M—are showing a high ROIC trend. Recently, our Water & Environment business has seen sales growth in the solutions business, and it is characterized by small total assets on the balance sheet. As such, there is a possibility that Water & Environment business may first achieve ROIC of 10% or higher, our long-term target excluding retail financing. While the Farm & Industrial Machinery business is achieving impressive profits in North America, retail financing and its accompanying interest-bearing debts mean that the business has large total assets on the balance sheet, so its ROIC is relatively low.

If we compare the two businesses, from the perspective of

amounts alone, the Farm & Industrial Machinery business and North America stand out, but they look very different when considered from the perspective of ratios, i.e., ROIC. By looking at these from a different viewpoint than we have in the past, rather than make generalizations about the importance of ROIC and how to improve it, we can take specific actions that consider the characteristics of each business. This proves that a larger scale does not necessarily result in greater efficiency, and shows that there are differences between varying businesses and regions. Employees cannot understand these differences by only looking at profit and loss. This perspective of looking at business through the lens of the balance sheet is something that Kubota has never had before.

You may ask why ROIC has become so important to us—it is because Kubota Group is aiming to become a solutions provider, the ideal outlined in “GMB2030.” With solutions, total assets are not large, and as the business does not involve selling hardware alone, profit margin can be high even if revenue is not. As such, we can expect a more stable business model. If we were to continue focusing on scale above all else, revenue attributable to solutions would seem small, but judged from the perspective of profit margin, stability, and ROIC, solutions can be evaluated very differently. If we cannot change employees’ awareness of this issue, carrying on as we have will not lead us to realizing “GMB2030,” and so we must bear this in mind with our management of finances and capital in the future.

Previously, for M&As we have not had clear internal standards in place, instead responding to each case by carefully considering the details of each. More recently, we have paid more attention to the cost of capital in-house, and recognized that it should be at around 8%. To go ahead with capital expenditures or M&As, they must clear this 8%. From the perspective of risk, considering factors such as yield and safety, we will not proceed if profitability is less than 10% at the planning stage. In the past we decided whether or not to invest based on the payback period, but in the future, as we consider a return exceeding capital cost of 8%, we need to use a criterion like internal rate of return (IRR).

For capital expenditures, we carefully scrutinize demand and investment amounts—on which capital expenditures are

predicated—but for M&As, we will value an investigative and deliberative process that incorporates elements such as the profit margin of the company to be acquired or the likelihood of synergies. When considering capital expenditures, there is a tendency to put a positive spin on demand, and so as the director in charge of finance I must be strict and come up with two or three countermeasures, including for what might happen if demand differs from forecasts. For M&As, alongside other past mergers, making the Indian company Escorts Limited a wholly owned subsidiary (Escorts Kubota Limited) created a high degree of synergy with Kubota and shows a lot of potential as an export base for the basic market in both developed and developing nations in the future.

Going forward, while we cannot entirely rule out M&As as large as with Escorts Kubota Limited, for the time being we will focus on post-merger integration for M&A projects we have implemented over the past two years. For capital expenditures, last year we completed the construction of the Kubota Global Institute of Technology (KGIT), a large-scale R&D facility, but equipment still needs to be replaced. In the future BCP investment will be needed in Japan, and capital expenditures will continue at a higher level than in the past with efforts such as earthquake-proofing investment and changes to production networks to achieve local production and local consumption.

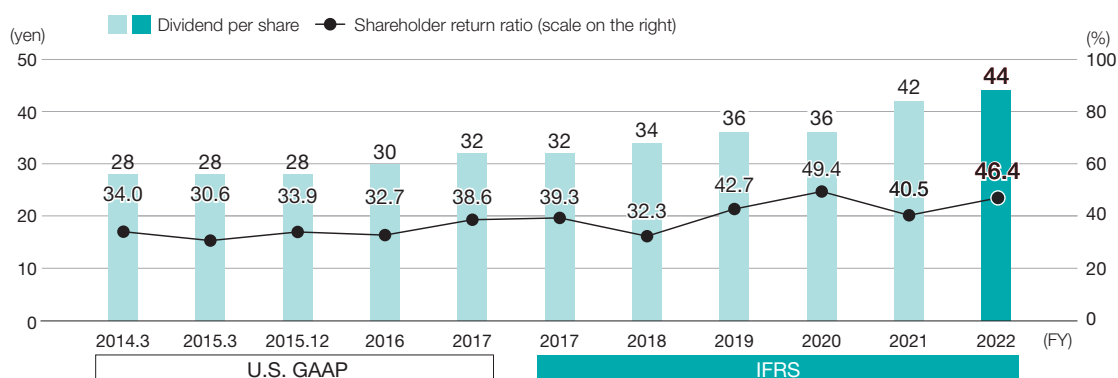
Corporate Value, Information Disclosure, and Shareholder Return Policy

The types of corporate value that Kubota considers are twofold: quantitative and qualitative. The first is our share price, which allows us to quantitatively judge whether corporate value has increased, and an important element is our market capitalization. I feel that changing the way we disclose information, from a short-focus to a more medium- and long-term-oriented stance that includes non-financial factors, is vital for us to lower the cost of capital in the medium and long term, and to raise our market capitalization. Each quarter, we sit down with investors and analysts, but this communication mostly revolves around short-term performance, and the Farm & Industrial Machinery business in North America in particular. I would like to properly disclose information about the solutions to resolve social issues we are aiming for, in light of their contribution to our main businesses

including R&D activities in the future. In addition to disclosing the progress we are making on Mid-Term Business Plan 2025 and our Long-Term Vision “GMB2030,” this is a challenge for our information disclosure.

The qualitative form of corporate value, meanwhile, is the extent to which we are respected by our stakeholders, namely our shareholders, customers, employees, business partners, and communities. We have brought ESG issues to the core of our management, and for two years have been running K-ESG management, for which the “S” also stands for “stakeholders.” One of the important ways of thinking that characterizes K-ESG management is defined as “participation,” whereby various stakeholders take part in Kubota’s business by accepting risk and engaging with us.

Trends in dividend per share and shareholder return ratio



*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.

With this approach, all stakeholders must be rewarded for the risks they take. Part of our engagement is teaching stakeholders that by participating in our business, they can benefit financially as well as gaining the satisfaction of helping to resolve society’s issues. With this in mind, our shareholder return policy, alongside information disclosure, is very important. As we make several investments connected to medium- and long-term growth, we do not intend that our shareholder return ratio should rise dramatically from the current level of 40%, but a ratio of 50% is one of our

targets. In FY2022, we carried out a stock buy-back worth ¥20.0 billion, and we were able to provide a return that went well beyond 40%, with a shareholder return ratio of 46.4%. Our policy is to continue providing shareholders with an adequate return, including in terms of dividend yield. By this I mean our policy is to retire our shares immediately after buy-back. If growth investments pay off, there is a chance that the shareholder return ratio could rise suddenly, but our goal is to stably increase our economic value and thereby strengthen shareholder returns.

Human Capital



We will develop a corporate culture that places importance on dialogue to draw out the maximum potential of our human resources

Kazuhiro Kimura

General Manager of Human Resources and General Affairs
Headquarters
Senior Managing Executive Officer

Kubota Group's Human Capital Management in Tandem with "GMB2030"

Basic approach

In 2021, we formulated the Long-Term Vision "GMB2030," and one of the foundations of our efforts to achieve that vision is our K-ESG management. This style of management follows Kubota's unique way of thinking, and the "S" stands for not only "Social" but also "Stakeholders" of all kinds. One such important type of shareholder is employees, and as such actively investing in employees is an important part of promoting K-ESG management.

In the future, in order to achieve "GMB2030," we must also change our business model, to move away from just selling products to linking our businesses in the three fields of food, water, and the environment to provide solutions to social issues. To do this, we need to strengthen our human capital, and so we will work on human capital management that emphasizes areas of materiality, namely improvement of employee growth and job satisfaction, and business operations based on diverse values.

Kubota Group's human capital strategy

Going forward, the elements that will power our efforts to resolve environmental and social issues are an organization that is strong and flexible and diverse, independent human resources. Therefore, strengthening these is the basis of our human capital strategy.

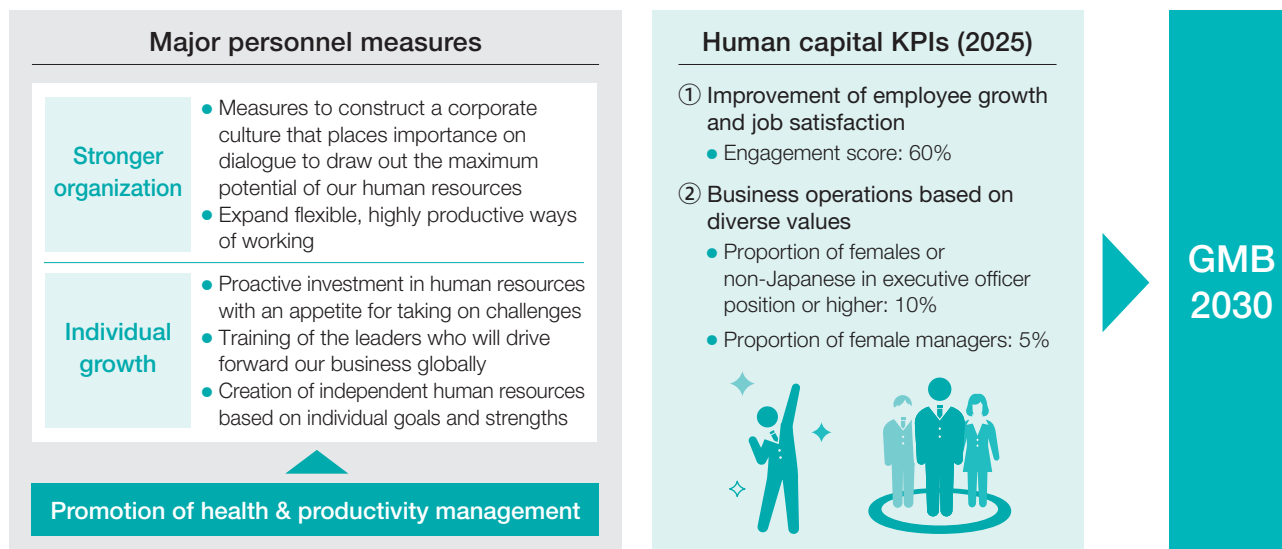
Kubota Group's human capital strategy

- Construction of a corporate culture that respects diverse forms of individuality and values dialogue to draw out the maximum potential of our human resources
- Provision of opportunities for growth for human resources who have an appetite to take on challenges, by strategic and systematic investment in training
- Support for independent career development that values employee goals
- Promotion of health & productivity management that supports the three points above

We will contribute to the achievement of "GMB2030" by implementing various personnel measures based on these human capital strategies.

Major Personnel Measures Toward “GMB2030”

To maximize the value of the Kubota Group's human capital, we will invest seriously in a stronger organization and individual growth.



By making active investments in our human resources from a variety of angles, such as those detailed below, we will strengthen the Kubota Group's human capital.

Improvement of employee growth and job satisfaction

Stronger organization

In terms of strengthening our organizational structure, we are putting particular effort into constructing a culture of dialogue. In order to share messages from management with employees and to enable employees to pass their opinions up to management, the president and other top executives from each business participate in town hall meetings. Moreover, through one-on-one meetings between managers and general employees, we are deliberately creating time for dialogue that does not just concern work duties, but also covers topics such as daily-work-related worries, personal career plans, and feedback that contributes to growth.

Individual growth

For individual growth for employees, we have started a program that dispatches employees to startups or developing nations that differ from their own workplaces or work duties and to solve social issues so that they can consider for themselves their own career path independently. We have also introduced a system that allows employees to try out duties in other departments within the Company alongside their normal duties, which helps to broaden employees' horizons and acts as a measure to support employees in taking on challenges that lead to personal growth.

Furthermore, in order to train the leaders who will drive forward our business globally, we are implementing structured leadership training that covers everyone from the youngest employees to those in management positions. For department heads and above, the training brings together talented human resources from all around the world, and creates a forum to learn using case studies from Kubota's past.

Business operations based on diverse values

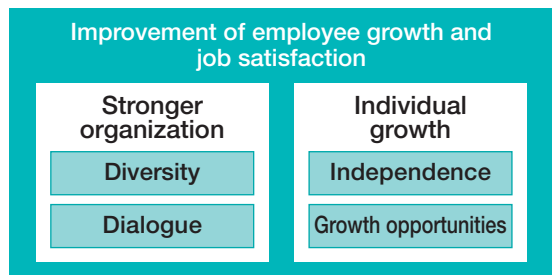
In the future, we must grasp customers' needs and develop a global business strategy that considers a range of perspectives. To do so, we require an organization that can constantly create new value and respond to change. To that end, the Kubota Group must do two things: create a working environment where varied human resources can demonstrate their diverse abilities, and making proactive investments to draw out the strengths that each employee possesses. In particular, we are continuously promoting greater female participation, and are actively working to increase diversity among directors and higher positions.

Promotion of health & productivity management

The Kubota Group believes that it is by maintaining and promoting employee health that we can produce lively workplaces and create new value, and is therefore actively working toward health & productivity management. Through our business activities, we can bring happiness to our employees and their families but also contribute to the resolution of issues in the fields of food, water, and the environment. At present, we are pushing ahead with initiatives that focus on issues such as preventing lifestyle-related diseases and offering mental health measures.

*Health & Productivity Management as featured in this publication is a registered trademark of the Nonprofit Organization Kenkokeiei.

Improvement of Employee Growth and Job Satisfaction



Basic approach

To improve employee growth and motivation, we are accelerating our efforts from the perspectives of developing a stronger organization and individual growth. The construction of robust organizational structures that can support employees in demonstrating their individual qualities and that aid high levels of engagement will lead to the creation of new value.

Constructing a Stronger Organization

Diversity Dialogue

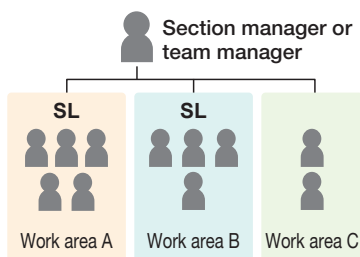
To create new value, we plan to construct an organizational and management system that respects diverse individuals and dialogue that inspires employees to utilize their capabilities and motivation to the full.

Diversity and inclusion

Strengthening management that leverages diversity

① Section leader system

The working environment is undergoing great change, as ways of working no longer dependent on physical location or set working hours spread, and as people are increasingly focused on their career paths. In such circumstances, better communication through more considerate management is required to maintain and enhance employee motivation. To provide this, we introduced a section leader (SL) system. So far, we have appointed 207 SLs (of whom 10 are women).



Roles of the SLs

- Manage the tasks of section members
- Consult with section members or offer advice (1-on-1, etc.)
- Provide on-the-job training to section members

② 360° feedback

If those being evaluated can understand the gap between how they and others evaluate their work, they will be able to grow, renew their awareness, and improve how they work in a team. Receiving an evaluation from subordinates and colleagues from the

same level, as well as from above, is effective in strengthening management, and also allows bosses to utilize this in training that incorporates the individual qualities of their subordinates (those being evaluated).

Target of evaluation and number of individuals

	FY2020	FY2021	FY2022
Target	Newly appointed section managers	+ existing section managers and newly appointed department managers	+ existing department managers
Individuals	207	287 (cumulative)	326 (cumulative)

③ Setting a maximum number of subordinates for each executive position

For bosses to appropriately manage their subordinates on a personal basis, as well as the workplace overall, we will ensure that burden does not exceed manageable levels. At the same time, to give the diverse human resources that will carry Kubota into the future (including younger and female employees), a more appealing impression of what an executive is and does, we are carrying out organizational management that sets a basic maximum number of subordinates. We will also continue to monitor the number of subordinates within the organization to achieve more considerate management than we have been able to previously.

Ensuring our corporate culture takes root

Town hall meetings

From the perspective of communication, and to achieve “One Kubota,” we are stepping up internal communications, through such means as publishing video messages from the top management, including on internal networks. Part of those efforts is our town hall meetings, which bring together the executive team with newly appointed managers and younger employees. Through direct dialogue



Town hall meetings in 2022

between the executive team and employees, we will spread awareness and understanding of “GMB2030,” raise employee engagement, and from now on we will move forward with initiatives to invigorate our town hall meetings.

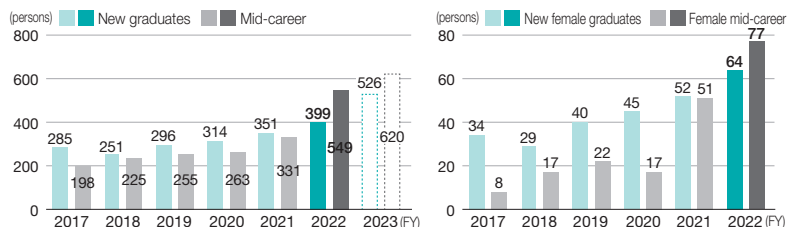
Town hall meetings with the president or executive vice president

	FY2021	FY2022
Times held	6	25
Participants	100	400

Expanding recruitment of new graduates and mid-career hires

We are expanding our recruitment of both candidates fresh out of university and mid-career applicants in order to achieve “GMB2030” and Mid-Term Business Plan 2025. For mid-career hires, we are proactively recruiting individuals with a diverse range of specialisms and experiences, and we will tie this into business expansion. In the case of new graduate recruitment, we have incorporated recruitment by job type and are strengthening measures to prevent mismatches after assignment. Moreover, to promote female participation, we are also increasing our recruitment of women.

Number of hires (new graduates and mid-career)



1-on-1 meetings

With the aim of improving organizational management capabilities, enhancing support for members’ growth and raising their motivation, in 2021 we introduced 1-on-1 meetings for administrative and technical positions (from general employers to managers). We have also been running seminars to spread awareness and understanding among employees.

1-on-1 meeting participant numbers and satisfaction

	FY2021	FY2022
Participants	640	2,518
Satisfaction level	85.9%	94.2%

Target: administrative and technical staff

Kubota Group vision and mission



Ways of working not dictated by time or location

Kubota Smart Work

We are putting in place environments that expand opportunities for employment and in which employees can fully demonstrate their capabilities and ambition and we are also making it possible for employees to utilize diverse ways of working and to allocate their time in an efficient manner. These efforts will be tied into raising productivity, employee performance, and employee motivation. Here we will introduce three representative examples of the many measures we are taking.

① Remote working system

We have developed an environment where people can work regardless of where they are, which eliminates the issue of employees having to move away from their families and also allows people to work as well as caring for others. We have introduced this system so that employees can find it easier to work and demonstrate their maximum performance. Employees can work anywhere in Japan provided that they live somewhere where the distance between the nearest train station to their home and the nearest station to their workplace takes five hours or less by public transport.

Number of remote working system users

	FY2021	FY2022
User group	Managers	Managers & administrative/technical staff
Individuals	4	17

② Super flextime system (flextime without required “core” hours)

To promote ways of working that are not dictated by set working hours, we have introduced a system that does not include core

working hours where attendance is required. As long as an employee works for a set number of hours each month, he or she can choose for him or herself the times at which they start and stop working—and for how many hours they work—each day (although the minimum work time per working day is one hour).

③ Activity-based working (ABW)

We introduced ABW with the goals of achieving effective ways of working, encouraging better communication, and raising employee engagement, and we are constructing office layouts that enable a diverse range of flexible workstyles. At the same time, we are encouraging the use of less paper and less keeping of paper stock.

e.g., gathering together disparate offices in the Tokyo area into the Tokyo Head Office, and concentrating the Water and Environment Infrastructure Consolidated Division in the Hanshin Office



Café space at Tokyo Head Office

Discovering and Training Strong Individuals

Independence

Growth opportunities

We will forge individuals who can independently carve out their own career paths and hone their strengths, while also creating value as part of a team. By investing in training strategically and systematically, we will provide opportunities for growth to human resources who are hungry to take on challenges.

Providing opportunities for reskilling and growth

Cross My Field Program (cross-boundary learning inside and outside Kubota)

This training program gives employees the chance to take on challenges beyond the boundaries of their duties, business fields, and their own personal limitations. It aims to help employees, who have various ideas, to achieve personal growth through missions under this program.

Year	No.	Plan	Start
2021	-	Creating a comfortable atmosphere and space in Japan	June 2021
2022	①	Encouraging smart agriculture	July 2022
2023	②	Solving social issues in developing nations	June 2023

① Encouraging smart agriculture in Izumi

We have participated in Izumi Agri Center as a start-up member.

Under the guidance of venture enterprise managers, we aim to resolve the region's agricultural issues.

② Solving social issues in developing nations

By bringing employees to NGOs and social enterprises in developing nations, we aim to resolve social issues in those locales using the skills and experience cultivated at Kubota.



Raising employee engagement

In-house second-job system

We have introduced a system whereby Kubota employees can become involved in tasks for different departments within the Company while continuing to do their main job. We provide growth opportunities to employees based on their wishes, and this will help to raise employee engagement and invigorate our organization.

Examples of second-job placements

Original workplace	Second-job destination	Second-job details
Customer service department	Sales department	Managing, planning, and offering improvement suggestions for Kubota websites, email newsletters, etc. Interview with clients, photography for product catalogues, and support for exhibitions
R&D department	Sales department	Discovery of customers' needs and suggesting ideas for future product development

Internal open recruitment

We will foster a corporate culture that energizes its employees to focus on creation and addressing challenges, and allows them to independently select their own job positions. Doing so will spread a proactive approach of wanting to jump into new lively positions in line with their own desires, raise the sense of independence for employees and cultivate energetic employees.

Examples of internal open recruitment

Open recruitment postings
Responsibility for promotion and planning of the agricultural studies facility at Hokkaido Ballpark F Village
Responsibility for R&D into agricultural systems that enable fully unmanned operation

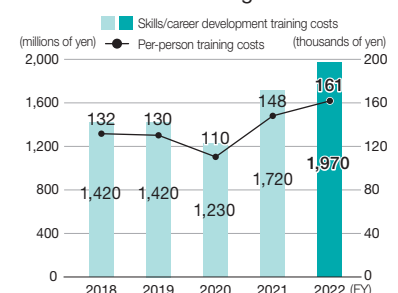
Strategic provision of opportunities to learn

We aim to create human resources that are able to create the new value needed to develop our business activities with a spirit of "One Kubota" and "On Your Side." We will provide level-specific training so that employees gain their skills and mindsets required for different positions in a timely and systematic manner. Moreover, by introducing specialized training for specific objectives (approx. 160 different courses), we are working to support a training program under which each employee can actively enhance their skills.

Level-specific training system



Human resource training costs



Selective training

① Kubota Leadership Training (KLT)

KLT is provided for section managers and develop capabilities of looking at the future from a better vantage point and considering business direction. It also brings about leaders that can plan and develop strategy.

② K-WAVE (training for the personnel who will be the next generation of executives)

We work to quickly identify and train the visionary leaders who will drive new business and innovation in the future.



Q&A with Kubota's executives



K-WAVE trainees

Global leader (GL*) training

To strengthen our global management and utilize human resources to realize “GMB2030,” and to encourage regional and global business growth, we carry out GL training as part of our efforts to develop GL capabilities. Through elements such as group sessions that examine original case studies, the aims of the training are for trainees to: understand Kubota’s strengths and uniqueness, develop a sense of unity as “One Kubota,” and gain awareness and motivation as a GL. Alongside introducing the GL system, we are also working on activities for our regional headquarters to deepen cooperation between managers and to train the next generation of leaders.



President speaking with GLs

*To promote Kubota’s global management, GLs are appointed from among non-Japanese management members from group companies. At the moment, this only applies to the Farm and Industrial Machinery Consolidated Division, but in the future, we will expand this program throughout the Kubota Group.

Voluntary training

K-Step

Participants learn the knowledge and skills they need to promote projects or high value-added tasks and to guide section member training.

Training targets and number of trainees

	Target group	2021	2022	2023
KLT*	Section managers	9	—	23
K-WAVE	Mid-level administrative/technical staff	14	18	19
K-Step	Mid-level administrative/technical staff	—	82	78

*Held every other year

Global competencies

Able to hold global management perspectives but make optimal decision-making locally



Able to form ability to flexibly adapt to the local area

5 Taking initiative to address challenges

Ability to take on the challenges of organizational changes and business reforms, and influence others to promote changes and reforms.

Able to work on new challenges and achieve a future ideal

Business Operations Based on Diverse Values

Policy on Diversity Management

Basic approach

As Kubota expands its operations globally, it is essential for the sustainable growth of the organization to recognize different values and ways of thinking and encourage diverse perspectives. As a first step in promoting diversity, we have been making efforts in the area of women's empowerment.

Going forward, while welcoming a diversity of human resources (gender, age, challenged, nationality, etc.), we will not only seek to foster a working environment in which every person can maximize their potential, but also provide long-term nursing care and childcare support and other means to enable employees with various constraints to play a productive role in the organization.

Empowering women in the workplace

For the Kubota Group, it is essential for the sustainable growth of the organization to recognize different values and ways of thinking and encourage diverse perspectives. Specifically, we are actively promoting three initiatives: (1) increasing the number of women hired, (2) creating an environment where women can continue to work amid various life events, and (3) creating opportunities for women to develop as professionals.

Our efforts thus far have included having female employees participate in various outside forums, launching internal group activities that aim to improve networking, and having round-table talks between female employees and directors. We also held leader development training for female employees expected to undertake leadership roles. To help female employees extend their careers, we believe that men, too, should be involved in housework and raising children, so are proactively encouraging male employees to take childcare leave.



Support for job creation and establishing a work environment for people with disabilities

The Kubota Group is active in its initiatives towards the employment of people with disabilities that are aimed at supporting self-reliance, especially through its special subsidiary companies (Kubota Works Co., Ltd. and Kubota Sun-Vege Farm Co., Ltd.).

Kubota Works carries out cleaning work, business card and document printing, data entry, and clerical outsourcing. Meanwhile, Kubota Sun-Vege Farm is involved in initiatives to use hydroponic culture to grow vegetables safely and securely with the goals of living in harmony with the community and the practical use of unused agricultural land. The vegetables grown there are used in our company cafeteria and are available for sale to our employees, and some are being sold at supermarkets in Osaka Prefecture. Going forward, we will continue to expand into new business areas and promote further job creation.



Promoting Health and Safety

Health & Productivity Management at the Kubota Group

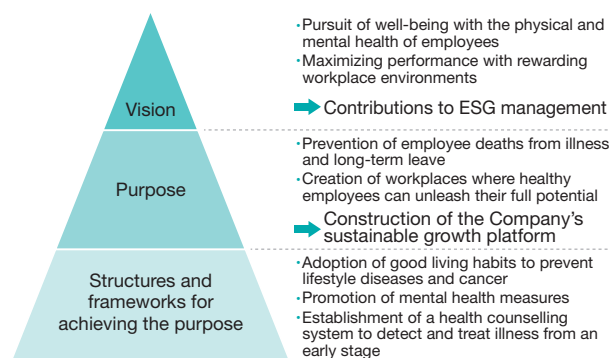
Basic approach

The Kubota Group recognizes that tying different initiatives—fostering a culture where employee health is valued, ensuring each employee looks after their physical and mental health, and creating motivational workplaces—into sustainable corporate growth is an important management issue.

Kubota Group Health Declaration

The Kubota Group declares its commitment to realizing the satisfaction of its employees and their families, and contribute to solving food, water and environmental issues through its business activities, by enabling each individual employee to preserve their physical and mental health in a motivating and positive work environment, being able to utilize their capabilities and individuality in their work.

Vision for Health & Productivity Management



Health & Productivity Management Promotion System

At Kubota, top management have ultimate responsibility for promoting health & productivity management and they do so by linking the Health & Productivity Management Department, the Kubota Health Insurance Society, industrial insurance staff, and human resources, labor affairs, and other departments.

Key Issues and KPIs

In the Kubota Group, we use health & productivity management to shine a light on the differences between where the health of individual employees currently is and a health ideal, and have set KPIs in the following three key issues and are pressing forward with initiatives in these areas:

- Minimization of lifestyle disease risks
- Mental health measures
- Early detection and treatment of cancer

Occupational Health and Safety Initiatives

Basic approach

Kubota formulated its Basic Policies on Safety and Health in April 2013 for the purpose of creating a safer and more secure workplace. Based on these policies, Kubota is enforcing the ethic whereby all people involved in the business, including contractor employees, behave based on the philosophy that “Safety is our First Priority.”

The Kubota Group Basic Policies on Safety and Health

“In the KUBOTA Group, there is no work to be carried out without serious consideration for safety and health.”

To achieve this, we established the fundamental principle that all the people involved in the business shall behave based on the philosophy that “Safety is our First Priority.”

Safety is our First Priority

1. All the people involved in the business of the Kubota Group shall observe the determined rules and behave based on the philosophy “Safety is our First Priority,” to protect themselves from accidents.
2. Management executives shall operate the business keeping in mind the philosophy “Safety is our First Priority,” respect and listen to the voices of frontline worksites, and be reminded that “the worksite is a mirror that reflects yourself.”
3. Management-level employees shall identify any risk that may lead to a serious accident and take faithful action to address such risk, while endeavoring to create a corporate culture that allows straightforward talk about safety and to develop human resources that support safety.

Status of Initiatives in FY2022

Kubota implemented the following initiatives in FY2022.

Implemented initiatives:

1. Achievement of inherently safe equipment target (6 domestic Group companies and 18 overseas Group companies)
2. Initiatives to help build a “shut-off culture” (all domestic Group companies)
3. Promotion of risk assessments of work operation activities (all domestic Group companies)
4. Initiatives to instill the Basic Guidelines for Safety-Aware Employees (all domestic Group companies)
5. Education on how to teach safe operations (all domestic Group companies)
6. Maintaining and improving a safe and healthy working environment (all domestic Group companies)

*A Class-A accident is one that can lead to a serious accident, such as crushing or entanglement in machinery, due to one of the following causes:

- 1) Contact, etc. with high-heat object, 2) Contact, etc. with heavy load, 3) Entrapment and entanglement by machines, 4) Fall from heights, 5) Contact, etc. and the like with forklift / vehicle, 6) Toppling of or contact with agricultural machines, construction machines or other vehicles (products), 7) Electric shock, 8) Contact with flying / falling object, 9) Contact with hazardous materials, Acute poisoning (including lack of oxygen, etc.), or 10) Occupational accident caused by explosion or fire.

Mid-Term Plan (FY2023–2027) Targets and Major Initiatives

In 2022, we created another mid-term plan to cover the next five years.

Target: Zero “Class A Accidents”*

Major initiatives

1. Risk identification activities
2. Equipment risk reduction activities
3. Activity to reduce risk through safe operating methods
4. Enhancing personnel development to support safety
5. Maintaining and improving a safe and healthy working environment

Employee Roundtable Discussion

Kubota Aims to Enhance Its “Organizational and Individual Strengths” – Toward Achievement of Our “GMB2030” –



Takumi Sato

Business Incubation Department

Masahiro Tada

Water and Environmental Solutions Developing and Sales Department

Takashi Wada

Seconded to m2labo Inc.

Mai Tonoike

Farm and Industrial Machinery New Business Planning & Control Department

Sayaka Shirai

Tokyo Administration Department

Koohwan Kim

Tractor International Sales & Marketing Department II

Kubota is planning ways to enhance its “organizational and individual strengths” in order to “promote employee growth and improve job satisfaction.” Employees who will lead the next generation of Kubota gathered to discuss their perceptions about the personnel policies implemented to date, as well as their challenges and expectations toward the realization of the “GMB2030.”

Promoting Autonomous Human Resources

S. Wada: Toward the realization of our Long-Term Vision “GMB2030,” we are taking on the challenge of transforming our business model from simply selling products to providing total solutions in the areas of food, water, and the environment. To carry through this transformation, a variety of training programs are provided for those who are willing to take on challenges, such as the Cross My Field Program (cross-border learning inside and outside our company), K-WAVE (nurturing of next-generation management-level human resources), and K-Step (acquisition of knowledge and skills required to lead projects and teams) as a means to enhance “organizational and individual strengths.” Could you tell us what inspired you to participate in the program you chose and what you learned from it?

T. Wada: I applied for the Cross My Field Program and have been seconded to a venture company since last summer, working to solve local agricultural issues. Before that, I had been in charge of mower development in the Agricultural Solution Engineering Department, but I decided to apply hoping for experiences

I would not be able to get inside the Company and also to gain a higher perspective by putting myself in a different environment.

Tonoike: I have been in charge of agricultural equipment sales and systems for agricultural corporations, but a lot of this business takes place under the established name of Kubota. I have been





asking myself whether my own abilities are improving. The Cross My Field Program was looking for candidates for dispatch to emerging countries, so I applied for it because I thought it would be a good opportunity to test my abilities. I will be seconded to an NPO in Southeast Asia this fall. I'm a little anxious because I no longer have the backing of Kubota, but I'm already excited about thinking of ways to solve social issues by relating them to myself.

Shirai: I attended K-WAVE in 2021. I listened to lectures given by instructors involving their various perspectives on the world and social trends. We also had thorough group discussions on the ideal situation of Kubota as an organization and the direction each one of us intends to take. This experience has changed my mindset dramatically. Now that I'm in a position of leadership in my team, I'm starting to think that when in doubt, I just have to make decisions based on my target situation; this gives me a sense of my own growth.

Kim: I participated in K-Step and had in-depth discussions about Kubota's competitive advantages. What I learned there is the significance of eliminating bias in decision-making. In group discussions, it is undeniable that the comments from those who are familiar with a topic tend to become a center of focus, and those without much knowledge tend to give less output. In the course of discussion, however, I found that those who are familiar with a theme have biases, and those with less information can correct biases. A discussion held by only knowledgeable people comes to a conclusion quickly, but we cannot always get desired output because of the bias. In this regard, I recognized the importance of diversity.

Tada: Since conventional design work in the water environment field is to be done according to customer "specifications," before participating in K-WAVE, I was entrenched in the concept of "specifications" and had a rigid way of thinking. Through the program, which provides multiple opportunities for interaction with people from startup companies and some farming fieldwork, I learned to think outside the box and from different angles. In

designing a water treatment plant and other facilities, we tend to make a solid choice of following precedent to ensure the quality of drinking water, but this can also be a hindrance to innovation. Currently we have an increasing number of PPP projects in which we, the manufacturers, can propose specifications, rather than the customer. I hope I can add new twists, such as new approaches in the pre-design phase.

Sato: I participated in K-WAVE in 2021. As part of the fieldwork planning new projects, we had an opportunity to conduct interviews with our supervisors and seniors who are playing active roles in our Company. We quantitatively analyzed what motivated them to work and found that the strongest motivation was "contributing to others close to them." It was a great discovery for me to realize that seeing the joy on the faces of teammates and business partners and sharing the joy with them motivates people. Even now, when collaborating with internal teams and external partners, I think about how I can contribute and how we can enjoy working together while doing our best every day before taking action. Of course, individual strengths are important, but I feel that individual relationships within an organization can add something extra to outcomes.



Facilitator:
Shinya Wada

[Human Resources
Department]

Improving Organizational Culture

S. Wada: As you have pointed out, we believe that enhancing individual abilities alone is not enough to fully improve organizational performance. Kubota, therefore, is striving to foster a dialogue-oriented corporate culture through one-on-one meetings with supervisors, which aims to enhance individual relationships, and town hall meetings, in which management's ideas are widely communicated to employees. All of you have attended one-on-ones and/or town hall meetings. What do you think about them?

Shirai: Having experienced both positions in one-on-one, as a member with my supervisor and as a manager with my team members, my view of one-on-one meetings has changed. I listen to my subordinates through one-on-one, and this gives me more conversation material at work, thanks to my understanding of their viewpoints and strengths. I genuinely feel that when you get to know someone well, you will have more in-depth daily conversation.

Kim: I have a one-on-one meeting with my supervisor, the section manager, once every two weeks, and also with the department manager on a regular basis. It's very helpful because it gives me an opportunity that I have missed out on to this point to consult with my supervisor about work, including small talk. I rarely talked directly with the department manager, but now I feel that the one-on-one helps us understand his personality and way of thinking, and thereby contributes to bringing harmony to our department.

Tonoike: I have two supervisors, one in Obihiro where I work, and the other in our department, so I regularly use "one-on-two" program. It helps me a lot to have two supervisors on a dual reporting line understand the current situation at the same time. I also have a one-on-one meeting with my department manager at least once every six months, and sharing my thoughts on my career with him motivates me. From a supervisor's standpoint, it promotes better understanding of the personalities of team members, so I think it will help boost team performance.

Kim: I have participated in town hall meetings twice, and to be

honest, I felt that a dialogue cannot be held with a large number of participants. It would be more meaningful if the number of participants could be narrowed down for the question-and-answer session.

Tada: I received an answer to the question I submitted beforehand at a town hall meeting held by the chief of the division. Since he came from the same design field I'm engaged in, asking him how he developed his career and what motivated him gave me insight into painting my own vision of the future.

Tonoike: I also participated twice. One was a small group meeting of about 10 people, and it was a valuable experience for me to hear the thoughts of management in a casual atmosphere. On the other hand, in a large town hall meeting, a question is asked and answered before another question is accepted, so it seems to me a bit different from a dialogue. It would prefer to have an opportunity to have a direct dialogue with management in a small group.

T. Wada: I was able to have a dialogue with the President at a small-group town hall meeting. When it comes to the President, there is naturally a distance between him and I, but the dialogue made me feel closer to him. I want to continue to contribute to our company in any way I can.



Expectations and Challenges for Human Resource Policies Toward Strategies and Goals

S. Wada: In order to realize "GMB2030," Kubota is seeking people who can create value as a team, carving their career paths on their own initiative and developing their individual strengths as employees. Please tell us what you think is necessary to that end and what you expect from Kubota.

Tonoike: After working as a sales rep for agricultural equipment, I'm now in charge of systems. Kubota has solid branding and organization in terms of products and hardware, but in new market areas with different competitive environments, I feel that the name "Kubota" does not always offer an advantage. I also



have a sense of urgency in that we will not be able to compete to open up frontiers unless every single employee improves his or her abilities. I expect Kubota to create a working environment in which all individuals can perform at their full potential and for Kubota to provide opportunities for competence development.

Sato: Corporate management requires multiple perspectives on sales, engineering, manufacturing, planning, personnel, finance, and other domains, as well as a comprehensive viewpoint. We need to experience various divisions and job types to acquire such perspectives, but I have a feeling that transfer across divisions or job types is not easy at Kubota now. I hope the barriers between departments and job types will be lowered so we can have more opportunities for transfer.

Shirai: In order to carve out a career for ourselves, we have to create our own career plan. In my case, K-WAVE helped me to do so. It seems to me very important to understand the direction Kubota is heading and think about “what I want to be or want to do in 10 years’ time.” I hope that Kubota will create opportunities to share thoughts about the future of the Company and our own thoughts with our colleagues. I myself will strive to be a supervisor who can enable opportunities like these.

Kim: In the spirit of “On Your Side,” frequently cited in our Company, I believe it is important for each employee to have his or her own thoughts on the other’s side. I expect the support to encourage teammates to have a “vision for the future” in addition to their routine work, not only in training sessions but also through their relationships with superiors and subordinates, as well as within their teams.

T. Wada: I’m currently on secondment to an agricultural venture company since I was given that opportunity through the cross-border learning program. I realize that I’m able to experience things that I never would have if I had stayed at Kubota. Through discussions about new business ideas with the partner company to which I’ve been seconded, I have come up with many new ideas and made many discoveries, which greatly broadened my horizons. I hope that there will be more cross-border learning



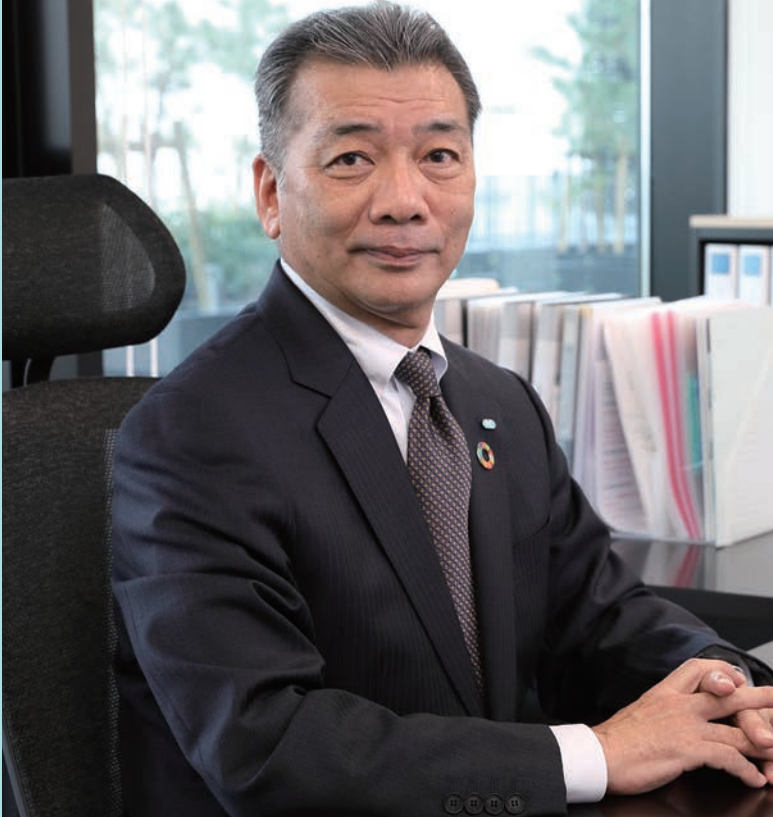
opportunities for us to leave our workplaces for a certain period and acquire new experiences.

Tada: In order to form a robust organization, we need to have a good understanding of each other’s strengths and areas of expertise, so I hope that one-on-one and town hall meetings will continue as a means to foster a culture of mutual understanding. If I add one more thing, in my view, excitement and empathy are part of a highly motivated and strong organization. I will keep taking on challenges that I find interesting, which will become my strength, so I can confidently say, “You’ll find excitement like this at Kubota.”

S. Wada: Your perceptions and opinions on personnel policies designed to enhance organizational and individual strengths were very helpful. What you all said made me realize again that the source of individual strength is the “thoughts” of each one of us. The Human Resources Department will support you to draw out the thoughts of each individual and enhance organizational strength through connections between individuals. I believe we can get closer to the realization of “GMB2030” by transforming the conventional management-control style corporate culture into one where individuals and the Company can co-create value through dialogue.



Intellectual Capital



We are strengthening our R&D capabilities with an R&D system based around six global sites that transcend regional or departmental borders.

Hiroto Kimura

Deputy General Manager of Innovation Center
 General Manager of Research and Development Headquarters
 General Manager of Kubota Global Institute of Technology
 Director and Senior Managing Executive Officer

R&D System Based Around Six Global Sites and Regional Initiatives

Basic approach

As the globalization of business advances, it is becoming increasingly important to offer products, services, and solutions that not only satisfy the needs of customers throughout the world, but also contribute to solving social issues in every community. To respond to diverse and unique local issues, Kubota is improving its global R&D system with Japan as its hub by clarifying the roles of its R&D sites in Japan and overseas.

Strengthening regional marketing and R&D

Since Kubota began developing its business overseas, it has followed a model of exporting goods researched, developed, and manufactured in Japan, then introducing local production later on. However, in order to grow into a “Global Major Brand,” it is crucial to understand the needs of foreign customers overseas and rapidly realize new products, services, and solutions. For this reason, Kubota is strengthening local-oriented marketing and R&D.



KRDE opened in France in 2021

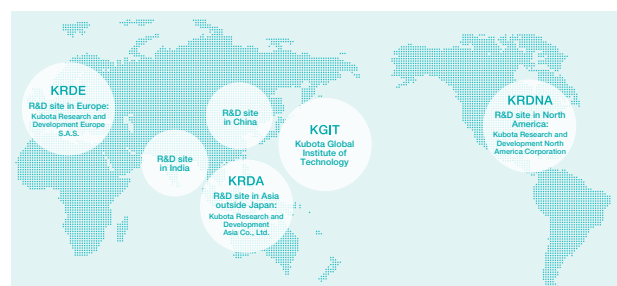


KRDNA opened in the U.S. in 2022

Establishing new R&D sites

Our new R&D site, the Kubota Global Institute of Technology (KGIT), opened in 2022, bringing together departments and personnel that were previously spread out in different regions. Doing this has significantly improved the efficiency of our R&D. The synergies between diverse experts that this unlocked have also led to innovations and breakthroughs in both core and advanced technologies. As well as acting as a control unit to assess and integrate all R&D—including at sites outside Japan—KGIT’s other role involves working to ensure truly global R&D where each site is linked together and where each can demonstrate its own respective strengths.

Overseas, we will add sites in China and India to our existing ones in Thailand, France, and North America, to construct a global R&D network centered on six sites, with the aim of developing strategic products for key markets and local-oriented products. As well as strengthening our product development capabilities, we will also work to bolster our research into areas such as acquiring advanced technologies developed at each site as quickly as possible.



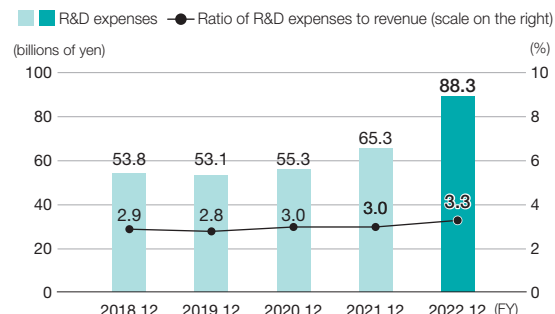
Strengthening Fundamental and Advanced Technologies, and Focusing on R&D Related to Carbon Neutrality, Such as Electrification and Resource Recycling

R&D expenses

One of the main themes of Mid-Term Business Plan 2025 is the establishment of the foundation for realizing “GMB2030” that supports the next generation, and as such we are actively investing resources in R&D to achieve sustainable growth on a global scale.

We are also paying close attention to some of the major trends of recent years, including the pursuit of carbon neutrality, and strengthening our R&D capabilities to achieve our Long-Term Vision.

R&D Expenses and the Ratio of R&D Expenses to Revenue



R&D on new motive power sources for achieving carbon neutrality

Japan has declared its intention to achieve carbon neutrality by 2050. In the mobility industry, which includes automobiles, buses, trucks, ships, and other products close to agricultural and construction machinery, efforts are ramping up to harness new motive power sources, including electrification, use of hydrogen, such as fuel cells and hydrogen engines, e-fuel (synthetic fuel), and HVO (hydrogenated vegetable oil). Kubota is also promoting R&D on new power sources for agricultural and construction machinery. Specifically for electrification, this has involved the launch of a battery electric vehicle (BEV) tractor in 2023, and we are now working to commercialize a BEV mini excavator next. In addition to satisfying the requirements for functions and performance of agricultural and construction machinery, we also intend to create new value through electrification, and to this end we have been fully engaged in developing the main components for electrification, such as motors, inverters, and battery packs. In R&D on fuel-cell tractors, we are also making use of a demonstration project by the New Energy and Industrial Technology Development Organization

(NEDO) to consider the best form of hydrogen infrastructure and hydrogen filling methods for the agriculture sector.

In addition to working on these new motive power sources, Kubota will also continue to focus on R&D that it has advanced for reducing fuel consumption, such as increasing combustion efficiency, and increasing the content ratio of biodiesel and so forth. In addition, we are bringing together multifaceted initiatives, such as reduction of operation losses through automated driving technology, optimal energy-saving driving, and use of biofuels (made from agricultural and food residues), to achieve carbon neutrality.



LXe-261, a BEV tractor
launched in 2023

Co-creation with public institutions and universities

Kubota is strengthening its cooperation with public institutions and national and international universities in order to concentrate wide-ranging knowledge and technologies. In 2021, we concluded an industry and academia cooperation agreement with the University of Tokyo. Under the agreement, we will work to illuminate and model natural phenomena and phenomena related to material circulation by using both of our knowledge, technology, and networks in the fields of food, water, and the environment under the theme of “What the Earth Can Achieve in 100 Years.” Moreover, based on this agreement, we will work on practical R&D, such as machinery design and control technologies, aiming to generate a bio-loop* of food, water, and the environment, and provide solutions for linking them organically.

*Bio-loop: A coined word meaning the integration of coexistence with nature (bio) and a recycling-based society (loop).

Kubota Global Institute of Technology Opened in 2022

Kubota opened the Kubota Global Institute of Technology (KGIT) in Sakai, Osaka. Departments and personnel that were previously spread out have been brought together, which has significantly improved R&D efficiency.



Promoting R&D That Will Create the Future of the World's Food, Water, and the Environment

R&D that can resolve social issues

We aim to strike a good balance between the R&D that supports our current business in the fields of food, water, and the environment, and advanced R&D that looks to the future. Through our efforts in areas such as automated driving technologies, carbon neutrality, resource recycling, and product development for new concepts, we will provide solutions to social issues and help to bring about a more sustainable society.

Building and equipment features

(1) Design and research building

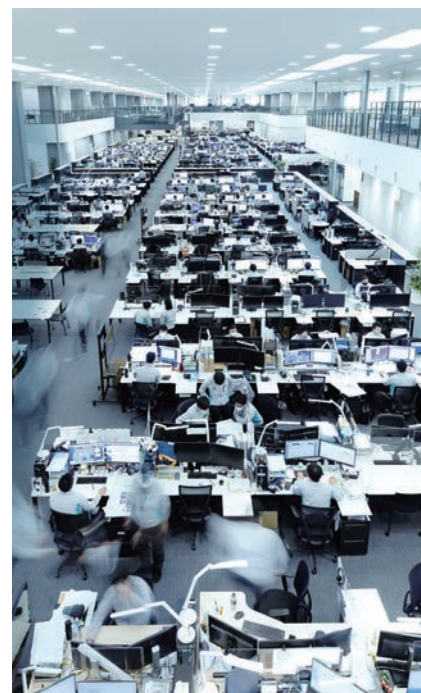
- KGIT brings engineers together on a single roughly 18,000 m² floor. The design and research building workspace will inspire groundbreaking innovations by fostering active communication across organizational boundaries.
- The office layout includes private concentration booths and a cafeteria designed to create even more opportunities to communicate.
- The eco-friendly architectural design adopts solar panels as well as high-efficiency air-conditioning and lighting systems.

(2) Test equipment and course

- A gigantic 1.5 km circular test course enables road tests of large-scale agricultural machinery.
- Double the traditional amount of tabletop equipment allows engineers to run automated tests continuously around the clock.
- A test field right next to the design and research building allows engineers to quickly run numerous and diverse field tests on machinery.



1.5 km circular test course



Workspace that brings together engineers on a single floor

Holding “KUBOTA Group R&D Conference” Each Year To Share Technical Information

Presenting and sharing technical research findings from engineers from different regions and fields

In order to contribute to solving the food, water, and environmental issues that society faces globally, engineers from different regions and different fields of study have been coming together to announce their findings at “KUBOTA Group R&D Conference” every year since 1983. For the event in 2023 (the first in-person event in four years and the first to be held at KGIT), engineers traveled from associates in Thailand, India, Germany, and across Japan. Including viewers of simultaneous live stream, the event was attended by more than 1,500 people. There were also lively technical discussions at the Q&A session and product exhibition after the presentation.



Special lecture



Presentation by Thai associates



Presentation by Indian associates



Presentation by German associates



Presentation by the R&D Dept.



Product exhibition

Attending a technical research presentation

Rediscovering the breadth of the field and the depth of the technology



Haruki Yoshida

Analysis Center
Technology Innovation Research and
Development Unit
(Joined Kubota in 2022)

At two different venues, I attended a special lecture and listened to nine presentations. Apart from presentations given by seniors from my department, a lot of it was new to me, but all of the presentations were fascinating.

In particular, for the technologies still in the research stage, it struck me that these will definitely be of benefit to society in the future, and I felt firmly a desire to be involved in the kind of research that can do that.

It was a valuable day, one that reaffirmed my wish to be the kind of engineer who can keep taking challenges—not giving up even after making mistakes—and produce results.

I definitely want to participate in the next one, too.

Kubota Technical Report

Since 1976, Kubota has been publishing Kubota Technical Report to announce its R&D findings and technical information inside and outside the Company.

Since the 50th issue in 2017, the report has also been available on the Kubota website, and the cover design has been renewed from the 53rd issue.



R&D and Sales Leader Roundtable Discussion

Aiming to Solve Social Issues Faced by Farmers Through the Realization of Smart Agriculture



Tetsuya Nakajima
General Manager
Farm and Industrial
Machinery R&D Dept. VI

Shinya Ukai
Manager
M Tractor Team
Agricultural Tractor
Engineering Dept.

Kazuo Fujihara
Manager
Product Planning Team
Farm Machinery Japan
Operation, Sales Promotion
and Marketing Dept.

Kenichi Iwami
General Manager
Technology Innovation
R&D Dept. II

Kiwamu Fukunaga
General Manager
Research and Development
Management Dept.

R&D and sales leaders discussed four themes regarding the “smartification and application of autonomous technologies” for agricultural machinery, one of the areas in which the Kubota Group is focusing on accelerating R&D.

Fukunaga: My name is Kiwamu Fukunaga, from the R&D Management Department, and I’m the facilitator for this session. I believe this technical roundtable meeting between R&D and sales leaders will provide our stakeholders with a good opportunity to understand the Kubota Group’s R&D activities in the smartification and application of autonomous technology, and also for those within our Company to understand in the interest of deepening cooperation in development activities. To start, could you introduce yourselves?

Fujihara: I’m in charge of product planning for tractors, combine harvesters, and rice transplanters in the Product Planning Team of the Farm Machinery Japan Operation, Sales Promotion and Marketing Dept. Over the past 20 years, I have been working in sales of agricultural machinery for the domestic market.

Nakajima: I’m coordinating the development of automated agricultural equipment, such as tractors, combine harvesters, and rice transplanters. Since I joined the Company, I have mainly been involved in the development of electrical systems, software, and electrical components for combine harvesters.

Ukai: Since joining this Company, I have been working on the design and development of large tractors. Now I’m developing highly functional and automated large tractors, including Agri-Robo tractors.

Iwami: I’m responsible for the development of next-generation products looking 5 to 10 years ahead, mainly in electronic control technology. I have been involved in the development of our “straight line (Go Straight: GS) assist function” and the Agri-Robo series.



Session 1: Challenges Facing Japanese Agriculture

While Japanese agriculture faces structural challenges, such as an aging population and labor shortages, there is also a rise in core farmers and the number of young farmers interested in new technology has started to increase.

Fukunaga: First, let me ask about the challenges facing Japanese agriculture. Agricultural policies have changed and in 2018 the rice acreage reduction program was abolished. This has given more freedom to rice farmers and other related parties in terms of production. How are the challenges facing Japanese agriculture and demand for farm equipment manufacturers changing?



Fujihara: The biggest challenge in Japanese agriculture is the aging of farmers. In addition to this, a lack of successors is putting some small-scale rice farmers out of the agricultural business. On the other hand, large-scale rice farmers are expanding their acreage and introducing automated farm machinery and large-scale farm machinery. Although there is no tendency toward

acceleration of farmers leaving the industry after the abolition of rice acreage reduction, an increasing number of farmers are shifting to crops other than rice as rice consumption declines.

Ukai: There are many requests for simplification of functions that are becoming more complex and improved comfort at a lower cost. Expectations regarding autonomous driving farm machinery, such as Agri-Robo, are also growing year by year.

Nakajima: A large-scale farmer with employees says the farmer wants a labor-saving machine because the acreage under cultivation is increasing. This farmer is buying farmland from farmers who leave the business, but the number of workers available is limited. Another customer who has a family-run farming business in Hokkaido says that the customer's elderly grandfather is retiring, so this customer wants a machine that can save manpower. While the aging of farmers will continue in the future, the number of young farmers interested in new technology is increasing.

Iwami: Hearing frontline voices, it's clear that simple functions are an absolute condition. With that in mind, we have been developing machinery that is as easy to operate as possible for agricultural work with high accuracy. Our "straight-line assist function" was well received as it enables even inexperienced farmers to perform the same tasks as experienced farmers. Japanese agriculture is facing many challenges, and I feel that the need for automated agricultural machinery that can solve these challenges is growing.

Session 2: Current Status of Autonomous Farm Equipment

What exactly is autonomous farm equipment, what are its advantages, and what challenges are left for us to overcome? Demand from farmers is increasing year by year.

Fukunaga: What are the characteristics of autonomous farm equipment? Could you tell us about the current level of technology, technical issues, and the advantages we can provide to customers?

Nakajima: Regarding autonomous farm equipment, the Ministry of Agriculture, Forestry, and Fisheries has established "Safety Assurance Guidelines for Autonomous Agricultural Machinery." Agricultural machinery is classified into four automation levels, from 0 to 3.* Level 0 is where the operator performs all operations manually, and Level 1 is where some steering operations, such as moving straight ahead, are automated while the operator remains

seated. Level 2 indicates unmanned operation where the user is not on the farm machine itself but watches the unmanned machine on a monitor near the farmland or while on another farm machine. Level 2 tractors and rice transplanters are already in practical use and mass produced, but for Level 2 combine harvesters, guidelines were just formulated in March 2023. Kubota is developing Level 2 combine harvesters that meet these guidelines aiming at early market launch. At Level 3, an unmanned farm machine travels autonomously on farmland, remotely operated and watched on a monitor. Guidelines are expected to be announced around the spring of 2024.

*"Level 0-3 classification" is commonly known as such and is not an official standard. (As at the time of this roundtable discussion)

Ukai: Tractors work with an implement (for agricultural work) attached to the rear part. Rice transplanters and combine harvesters are easy to program for autonomous driving because they are used for routine tasks. Conversely, tractors need complex programming with many requirements to be considered because their operations and work paths differ depending on the implement. If we can make tractors that accommodate more automated implements, it will bring more benefits to farmers in mitigating their work.

Iwami: Farm machinery requires a higher degree of accuracy in autonomous driving than automobiles. Automobiles run on designated roads, but on farmland seedlings may be planted at 30-centimeter intervals, so centimeter-level driving accuracy is required for farm machinery.

Fujihara: Since autonomous driving technology is being developed mainly for large-size products, applying technology like this to small plots is somewhat difficult. There is also the issue that this technology does not work in mountainous areas where radio waves cannot be received.

Nakajima: The disadvantages at present seem to be high selling prices and the fact that it is difficult to see the effects of the application. Level 2 cannot significantly reduce the number of

workers, and its initial cost is high, at 1.3 to 1.5 times the price of existing products. Some farmers are just waiting to see how things go in terms of cost-effectiveness.

Ukai: In the case of Level 3 remote monitoring, the issues are whether it can be monitored properly from a distance and whether the work can be resumed quickly and safely from a distant place when a problem arises. Moreover, existing laws prohibit driving unmanned vehicles on public roads, so the legal landscape needs to be expanded on how autonomous vehicles should be moved to neighboring plots and other matters.



Session 3: Kubota's Autonomous Driving Proposal

What unique proposals for smartification and autonomous technologies and solutions does Kubota have? Strengthening the differentiation strategy by integrating KSAS is key.

Fukunaga: In terms of Kubota's unique differentiation technologies or integrating KSAS (Kubota Smart Agri System), what technical development issues do you overcome, and how do you want to contribute to solving issues faced by our customers?

Nakajima: Kubota aims to bring next-generation products to market ahead of its competitors. One such product enables data linkage among Level 2 models of tractors, rice transplanters, and combine harvesters. In the case of rice cultivation, a farmland map is created when a rice paddy is prepared by tractor, and the map can also be used by rice transplanters and combine harvesters. Furthermore, rice planting location data can be used for accurate rice harvesting with combine harvesters. In dry field farming as well, location information for ridges created by tractors can be utilized to work efficiently.

Fujihara: I often hear about the need for farmland map data sharing. Working to solve this issue will lead to differentiation proposals. Also, making use of KSAS, which manages not only agricultural machinery but also water and fertilizer, is Kubota's strength. KSAS is used by 20,000 farmers in Japan, accounting

for about 10% of Japan's rice paddy acreage. Integration of smart farm machinery and KSAS is Kubota's differentiation strategy.



Ukai: Cooperation with other companies on data utilization is also necessary. Currently, information obtained from one company's agricultural machinery cannot be used by other companies' agricultural machinery. Going forward, however,

along with the promotion of open data, through information linkage with KSAS, it will be effective to propose solutions that are easier for customers to use. Regarding tractors, the MR Series acquired the world's first national certification for safety of robot tractors. Since Kubota also develops implements within the Group, we can utilize information collected from implements to achieve Kubota's own growth strategy.

Iwami: Another strength of Kubota is its ability in making

technical proposals that meet customer needs, including machine safety. Kubota is the only company that has brought into reality agricultural robots of three types of rice cultivation equipment ahead of others. In the case of rice planting, if a rice transplanter travels on an area where seedlings are planted, the seedling will be crushed, so on the farmland the rice transplanter should never travel the same paths twice. Kubota's "seedling planting path planning," which solved this challenge, preceded its competitors.

Session 4: Future Developments at Kubota

Consider the potential for transforming Japanese agriculture into an attractive industry through the introduction of smart agriculture and automated farm machinery, and overseas expansion.

Fukunaga: We should accelerate the development of smart agricultural machinery as a matter of course. What are your thoughts on enhancing the attractiveness of Japanese agriculture through Kubota's solution proposals and technological outlook?

Fujihara: A customer who introduced a rice transplanter with the Going Straight (GS) function was happy and told us, "When I work all day with a conventional manual rice transplanter, I get very tired from long hours of work, from morning to night. However, with the GS rice transplanter, I feel less tired and have the flexibility to spend time with my family when I get home." I believe that the spread of autonomous farm machinery will bring workstyle and lifestyle reforms in agriculture. I hope it will make agriculture look more profitable and stylish and encourage more young people to enter farming.

Ukai: The important thing in creating new markets is that customers feel that there are benefits associated with the automation of agricultural machinery. If we can ensure that the machinery is compatible with various implements, it can be set simply, and it requires shorter time spent monitoring, the advantages for customers will quickly increase. For this reason, we need to create and promote products that help customers understand the benefits of introducing these machines. Data management is essential for smart farm equipment to reproduce the skilled work done by experienced farmers with their firsthand experience. As data-based technology moves on to the future, we will see ideal next-generation agriculture.

Iwami: Level 2 Agri-Robos are expected to further spread through the strengthening of technological development in pursuit of user-friendliness. Regarding technological development for the next generation, we will achieve practical application of Level 3, being fully unmanned, ten years from now. In the future, we will have to conduct research that includes operation systems in which multiple agricultural machinery units are interlinked to be flexibly operated on farmland plots, small or large. It will also be

necessary to develop technologies aimed at labor or manpower saving, not only for machines, but also for incidental work before and after. I believe this will usher in an era of complete unmanned farming throughout the whole process.

Nakajima: Next-generation technologies cannot be created by Kubota alone but will emerge as the world evolves. Ten years from now, farming will advance to Level 3, or farming without human intervention including movement between plots, making it easier for people with no experience to start farming and realizing improved agriculture. Improving the international competitiveness of Japanese agriculture is also expected. Overseas, because of differences in climate, weather, soil, and other factors, a lot of demonstration tests need to be conducted before deployment, but moving forward, I expect smart agriculture and automated farm equipment will become increasingly pervasive, mainly in Asian markets.



Fukunaga: Today we discussed the current status of the "smartification and application of autonomous technologies" for agricultural machinery, Kubota's differentiation technologies, and future outlooks. This strengthened my motivation to contribute to building ideal Japanese agriculture, and to help address food problems in Japan and elsewhere, through Kubota's automation and solution proposals. Thank you all for your time today.

Manufacturing Capital

Basic approach

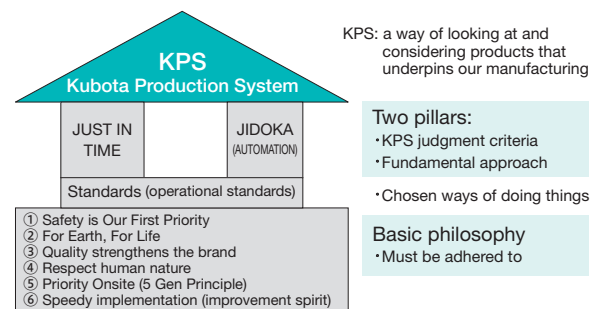
Kubota aims to achieve manufacturing that impresses customers by offering products and services that exceed customers' needs at a speed beyond their expectations. Think less "Made in Japan," and more "Made by Kubota." From locations around the world, we continue to aim for the reliable manufacturing that is synonymous with Kubota products.

Manufacturing Capital Strengths and Strategies

The strengths of Kubota's manufacturing capital are the Kubota Production System (KPS) and the personnel that put it into practice.

KPS is based on manufacturing judgment criteria and ways of thinking that adhere to its basic philosophy, and is supported by two pillars: Just in Time and Jidoka ("automation"). We aim to expand this to our global production bases, and develop a system that can supply products promptly and swiftly. In terms of personnel, in addition to KPS training, 5-Gen Dojos in Japan, North America, Thailand, and China (with further 5-Gen Dojos to open in Europe in 2023 and in India in 2024) offer guidance into the 5-Gen philosophy, which covers the actual site (Genba), actual things (Genbutsu), actual facts (Genjitsu), principles (Genri), and basic rules (Gensoku).

Kubota's strategy is to become a "Global Major Brand" that can make the greatest possible social contribution by gaining the trust of many customers through the efforts above.



Possessed Manufacturing Capital and Output/Outcomes We Created

Kubota has established production bases around the world in locations close to their respective markets, with the mother plant supporting all the other plants in order to secure consistent quality. Furthermore, Kubota is promoting the deployment of the KPS at each of its bases, and is implementing initiatives to raise the QCD level throughout the entire supply chain.



Manufacturing capital

- Number of production bases Japan: 12; Overseas: 22
*Bases with production departments
- Output (FY2022)
Production results: ¥2,714.8 billion
- Outcomes
 - Prompt and swift supply of products
 - Raising of the QCD level throughout the entire supply chain

Capital expenditures: amounts and purposes

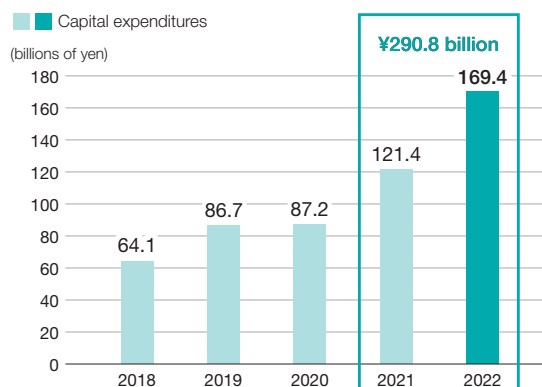
Medium-term capital expenditure plan for 2021–2025:

- Planned budget is ¥600 billion.
- In the two years that form the first half of the plan, actual expenditure totaled ¥290.8 billion (48% progress), a high pace that puts us in line to exceed targets. The main cause for this was the completion of a new R&D site in Japan (costing approx. ¥84 billion).

Capital expenditures in FY2022:

- Total investment: ¥169.4 billion
- Japan: Establishment of a new R&D site achieved shortened development times and strengthened concurrent activities
- North America: Establishment of a new construction machinery plant achieved enhanced production capabilities and a shorter lead-time for supplying products
- India: The making of Escorts Ltd. into a wholly owned subsidiary (as Escorts Kubota Limited) achieved an enhanced product lineup and better procurement

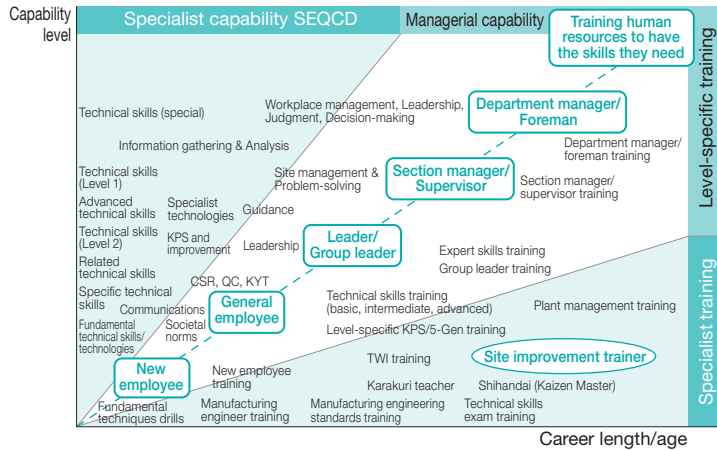
Capital expenditures



Human Resources That Support Manufacturing

1. Human resource training roadmap

We have created a roadmap and are working to train our personnel.



2. On-the-job improvement training with site improvement trainers

We have started a new training program that aims to develop site improvement trainers, employees who can lead improvement efforts not just through manufacturing improvement skills but by also incorporating other fields. They will be trained to have a mindset that improvements can be used to train human resources. Through these training activities, we have once again recognized the importance of operational standards.

We have established operational standards unique to Kubota that suit our characteristically large range of products and equipment, and we have begun thorough related activities.



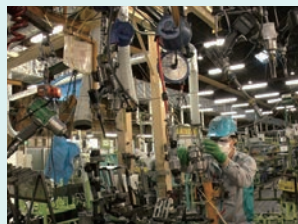
Site improvement trainers (wearing yellow helmets) in action

Manufacturing Case Studies

In 2022, the vertical diesel engine celebrated its 100th anniversary. This assembly line has been constructed in line with the four concepts. The first three are: ① no twisting to look, ② no walking around, and ③ having everything close to hand (to assemble everything within arm's reach). With these in mind, we try to minimize movements that are unnecessary—within the scope of the work being done—in what we call the “strike zone,” and this leads to a reduction of the burden on workers. The fourth concept that guides us is ④ systems that allow anyone to do the same work. For instance, we have put in place a system for bringing down necessary tools to match the order of jobs. We can make sure that workers all work at similar speeds, regardless of proficiency. Moreover, as part of our quality control activities, we have been focusing on fail-safe equipment. As an example, a piece of fail-safe equipment that does not allow a worker to move on to the next task unless a bolt is completely tightened with a tool, performs an important role in preventing defective products being delivered to customers because a worker forgot to tighten a bolt or did not apply sufficient torque. However, we cannot rely on fail-safe equipment or automation alone; we know that humans can always make mistakes and so we periodically offer guidance or carry out checks to ensure quality, and workers are themselves becoming more aware of quality issues.



Components are provided from in front and tools are all within 40 cm of the worker, enabling them to get on with their work close at hand without twisting to look or walking around.



The system brings down the tools needed at the time they are needed. Four wasteful movements—crouching, walking, reaching, and searching—have been improved.



Fail-safe controller

Fail-safe equipment prevents workers from forgetting to tighten bolts or applying insufficient torque. If a worker does forget, the equipment does not let them proceed to the next task.



Ken Yokota
Team Leader and Department Manager
Sakai Plant Engine Manufacturing Dept.

Site patrols by management

Chairmen, presidents, and other members of company management teams visit various sites and listen to employee feedback first-hand, while offering guidance at actual sites for actual products.



Chairman on patrol (Kubota America Corp.)



President on patrol (Utsunomiya Plant)



Chairman and president on patrol (Kubota Seiki)



Director and Executive Vice President

Dai Watanabe

GM of Farm and Industrial Machinery Consolidated Division, GM of Innovation Center

Fundamental Policies and Business Status

The aim of the Farm & Industrial Machinery business is to contribute to creating and conserving food production and comfortable living environments. Our main products are the agricultural machinery and agriculture-related products that carry the weight of a brighter future for people and food on their shoulders, and the engines and construction machinery that are helping to make people's lives richer. To play our part in bringing about our Long-Term Vision "GMB2030," we are promoting a business strategy that makes the most of growth opportunities in our existing business and expanding the business.

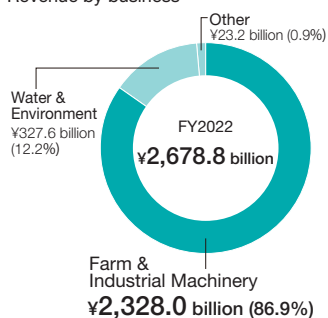
Outline for FY2022

Revenue in the Farm and Industrial Machinery Consolidated Division increased by 24.8% from the prior year to ¥2,328.0 billion, and accounted for 86.9% of consolidated revenue. However, profit in this segment decreased by 4.7% from the prior year to ¥237.1 billion. This decrease was due mainly to an increase in the price of raw materials and logistics costs, despite factors that increased profit, such as price rises and improved exchange rates.

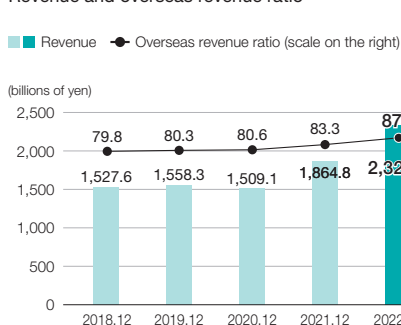
The social value we create

In food-related fields, we will ensure that food production thrives and is stable by making agricultural management proposals based on the mechanization of agriculture and data collection, centered on the Kubota Smart Agri System (KSAS). Meanwhile, in environment-related fields, we will protect comfortable living environments, through such means as our engines—which are characterized by energy and labor savings in consideration of the environment—and construction machinery that excels in the confined spaces of urban areas.

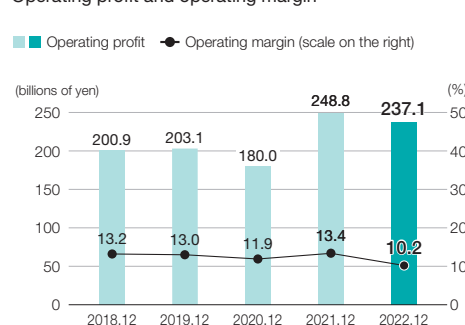
Revenue by business



Revenue and overseas revenue ratio



Operating profit and operating margin



*Owing to changes in organizational structure, "Air-conditioning equipment" previously included in the Farm & Industrial Machinery segment has been included in the Water & Environment segment since FY2020. Accordingly, results have been reclassified and restated for FY2019.

Source of our strengths

Our roles stretch from metal casting—in which Kubota got its start—to engine assembly and the in-house production of critical components. Furthermore, in a variety of product fields, we have established development styles that match the needs of individual regions. This allows for high-variety, small-lot production, which is one of Kubota's unique strengths. Based on the technologies and techniques that we have built up, as well as our deep-rooted mindset of putting on-site needs first, currently many of our products hold a large market share and we are expanding our business, not just in Japan but around the world.

Major Farm & Industrial Machinery Products

- **Tractor implements** used to allow tractors to perform tasks such as tillage by being attached.



- **Combine Harvester** used for simultaneous harvesting and threshing of crops such as rice, wheat and pulses.



- **Rice Transplanter** used to transplant rice seedlings to rice paddies, contributing significantly to labor-saving.



- **Utility Vehicle** useful in a variety of operations, including agricultural work, civil engineering and leisure activities.



- **Mini Excavator** used in civil engineering and other operations; especially useful in narrow work areas, such as city streets.



- **Compact Track Loader** used mainly for transporting and stacking tasks (at construction sites, farms, etc.).



- **Engines** responding to a variety of needs as compact industrial engines.



- **Feeders** used to feed a set amount of powder or liquid to the next process.



Analysis of the Status of Farm & Industrial Machinery and Basic Strategies

Strengths	Weaknesses
<ul style="list-style-type: none"> ● Local production system and strong sales network in North America ● Local production system and strong sales network in Thailand ● Improved presence in the Indian market through our consolidated subsidiary Escorts Kubota Ltd. ● Steady sales growth for service parts 	<ul style="list-style-type: none"> ● Lineup of electric-powered products ● Global supply chain ● Presence in the dry-field-farming market
Opportunities	Threats
<ul style="list-style-type: none"> ● Strong demand for infrastructure development in developed nations ● Urbanization in the ASEAN region ● Increased demand for food with population increases in Asia and Africa ● Room for utilization of abundant operating machinery 	<ul style="list-style-type: none"> ● Accelerating efforts to achieve carbon neutrality ● Increased frequency of natural disasters worldwide due to climate change ● Rapid changes to the business environment due to technological innovations

Growth through strengthening existing businesses	Response to issues
<ul style="list-style-type: none"> ● North America: expansion of our construction machinery lineup and promotion of integrated local operations ● ASEAN: encouragement of agricultural mechanization and development of compact construction machinery to meet the region's needs ● India: entry into the basic machinery market ● Expansion of our servicing business that utilizes abundant operating machinery 	<ul style="list-style-type: none"> ● Accelerating R&D in response to changes in the business environment ● Accelerating BCP measures ● Encouraging business expansion via M&As

*More details of our responses to issues can be found on the following page.

Growth through strengthening existing businesses



Construction Machinery business in North America

- In North America there is stable growth in housing demand and there is a chronic shortage of labor. As a result, sales of construction machinery are growing steadily in the region. We have started local production of CTLs aimed at the market, and we will supply products in a timely fashion to capture this growth in demand.
- We have started to prepare a local development system, and we will expand our product lineup, and expand our business through operations that integrate development, production, and sales.



Farm and Industrial Machinery business in the ASEAN region

- We are accelerating our expansion into the dry-field-farming market, and sales of tractors aimed at dry-field farming—in which crop prices remain strong—are growing steadily. By fusing our products (mechanization) and services (cutting-edge agricultural methods), we will strengthen our ability to make proposals for agricultural solutions optimized to each farmers' location, crops, and work system.
- For construction machinery—for which we expect demand to rise as urbanization continues—we will successively introduce new products (e.g., 5-metric-ton-class machinery) that meet the market's needs.



Expansion of the Indian business and entry into the basic machinery market

- We will pursue synergies between Kubota Corporation and Escorts Kubota Ltd. We will aim to be a brand with a full lineup, which can approach all customer segments and utilizing each dealer network, we work to raise the efficiency of our sales activities.
- We will incorporate parts and units that utilize Escorts Kubota Ltd.'s procurement network into Kubota products to enhance our cost competitiveness.



Customer solutions business

- Using KSAS and telematics, we will promote the expansion of farm management support and servicing businesses based on data from agriculture and agricultural machinery.
- We have started constructing global parts supply bases, and we will aim to shorten lead times by concentrating disparate storage locations and work sites, and through other efficiency-raising measures.
- We have introduced a secondary brand, K3R,* which has a different price/quality concept than our standard parts.

*K: Kubota
3R: Resolution, Reasonable, and Reliable

Response to issues

Issue	Response
Accelerating R&D in response to changes in the business environment	<ul style="list-style-type: none"> ● We have constructed a priority field R&D system that looks to a future, carbon-neutral society and we are accelerating our activities in the area. ● We are working to formulate and implement a grand design that will help us to achieve smart agriculture and smart urban development (autonomous, unmanned operations; cooperated operation; data-driven agriculture, etc.).
BCP measures	<ul style="list-style-type: none"> ● In order to stabilize procurement, in the short term we hold inventory, and in the medium to long term we plan to expand procurement to include multiple suppliers from multiple countries. ● We are systematically promoting and implementing disaster preparedness work at factories and sales companies in Japan.
Encouraging business expansion through M&As	<ul style="list-style-type: none"> ● When expanding the range of businesses we operate in, in addition to utilizing the resources that we have cultivated thus far in-house, we will make use of resources from outside the company—for technologies or products we lack or markets that would need time to open up—to promote that expansion. ● M&As are carried out with the aim of achieving synergies with our existing businesses and to offer more customers Kubota value.

(Reference) M&As in 2022

- Escorts Limited (based in India, now Escorts Kubota Ltd.), a tractor manufacturer, was made a consolidated subsidiary
- Brabender Technologie GmbH & Co. KG (based in Germany, now Kubota Brabender Technologie GmbH), a feeder manufacturer, was made a subsidiary
- The mower business of Officine BIEFFEBI (BFB; based in Italy), a mower manufacturer, and its subsidiary Gianni Ferrari s.r.l. (GF; based in Italy) were merged to form Kubota Gianni Ferrari s.r.l., which was made a Kubota Group company



Gravimetric feeder by Brabender Technologie



Mower by BFB (GF)

Mid-Term Business Plan 2025 and Farm & Industrial Machinery Business Results

Mid-Term Business Plan 2025 goals

- Aiming to increase sales in all regions by expanding product lineup, expanding business through taking advantage of increasing demand for mechanization, and expanding after-sales business by utilizing abundant operating machineries.
- Aiming to dramatically increase market share for the North American Construction Machinery business through locally integrated operations that bring together development, production, and sales.
- Aiming to further increase in sales of farm equipment and construction machinery in the ASEAN Farm and Industrial Machinery business alongside urbanization in the region.
- Aiming to increase market share, particularly in India, through measures such as launching products onto the budget basic machinery market.

Progress of Mid-Term Business Plan 2025

- In FY2022, revenue increased dramatically in all regions and is growing steadily.
- In particular, sales of tractors and construction machinery grew significantly in North America due to healthy demand resulting from factors such as more people moving into suburban areas.
- In India, revenue increased markedly due to the addition of a new consolidated subsidiary, Escorts Kubota Ltd.

FY2022 segment revenue (compared to FY2021 results)

● Farm & Industrial Machinery ¥+463.2 billion (Japan: ¥-7.9 billion; Overseas: ¥+471.1 billion)

Japan Sales dropped compared to FY2021 due to a slump in rice prices and the end of business succession subsidies.

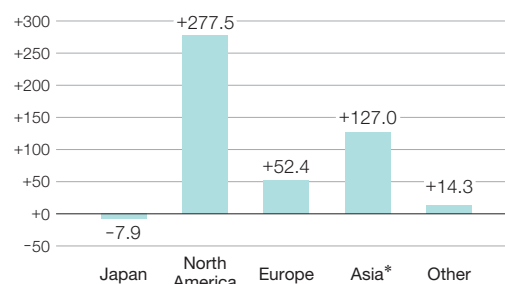
North America In the latter half of the year, residential tractor demand dropped but retail sales of construction machinery and engines were positive, and rose compared to FY2021. On a cash basis, price rises contribute to major sales growth.

Europe In each business area, the market was positive. While there were issues with product supply, sales increased compared to FY2021.

Asia In Thailand, as a repercussion of sales to a government program (measures to distribute agricultural machinery free of charge), sales overall dropped. Elsewhere in the ASEAN region, sales decreased, particularly due to a drop in bidding contracts for the Philippines government. In China, sales increased because of a rush in demand ahead of Phase IV emission standards for tractors. In India, sales grew considerably due to the inclusion of figures for Escorts Kubota Ltd. (from Q2) and increased sales of MU tractors.

Other The number of shipped items saw positive growth, particularly for tractors and construction machinery.

Revenue increases/decreases by Farm & Industrial Machinery market (billions of yen)



*During FY2022 Q2, Escorts Kubota Ltd. became a consolidated subsidiary

FY2023 segment revenue forecast (compared to FY2022 results)

● Farm & Industrial Machinery ¥+182.0 billion (Japan: ¥+4.4 billion; Overseas: ¥+177.6 billion)

Japan The situation for agricultural machinery remains challenging, due to a slump in the price of rice and increases in production costs.

North America Tractor sales are sluggish as the residential tractor market suffers with the recession. Construction machinery, however, is performing well, supported by a backlog of housing construction orders and demand for governmental infrastructure development. Engines, as well as the construction and industrial machinery markets, continue to see strong sales growth.

Europe Construction machinery achieves positive sales in each country, supported by demand for public works. Engines, as well as the construction and industrial machinery markets, continue to see strong sales growth. While the tractor market weakens slightly due to some concerns about an economic slowdown, elimination of lost sales due to last year's supply shortages mean that increased profit is forecast.

Asia In Thailand, increased sales are forecast in the dry-field-farming market due to rising sales prices for crops. In China, a decrease in sales is forecast for tractors because of price rises linked to emission standards. However, forecasts suggest that sales of general-purpose combine harvesters will grow, and so will engines through the launch of new products, including shovels and forklifts. In India, Escorts Kubota Ltd.'s performance is incorporated (full-year results) and further sales growth is forecast for MU tractors.

Other In Australia, while there are concerns about an economic slowdown, overall sales are forecast to increase.

Welcoming Escorts Kubota Ltd. and the Challenge to Crack India, the World's Biggest Market



Senior Managing Executive Officer

Nikhil Nanda

GM of Value-Innovative Farm and Industrial Machinery Strategy and Operations Department, Chairman and Managing Director of Escorts Kubota Limited

Message from Nanda, CMD

Hello. I am Nikhil Nanda, Chairman and Managing of Escorts Kubota Limited.

First of all, I am honored to be part of the Kubota family.

I am also very pleased to be able to contribute to Kubota becoming a major global brand.

Introduction of Escorts Kubota Ltd.

Escorts Kubota Ltd. is an Indian tractor manufacturer established in 1944. The company joined the Kubota Group in April 2022, and the third-generation CEO is still a member of the founding family.

Escorts Kubota Ltd. has a wide lineup of tractors ranging from 12 horsepower to 120 horsepower. Over the years, it has responded to the diverse needs of Indian farmers and contributed to improving the productivity of Indian farmers.

In addition, Escorts Kubota Ltd. has a corporate culture that emphasizes technological development and innovation. In the early 1960s, Escorts Kubota Ltd. became the first Indian company to start producing domestic tractors. In recent years, Escorts Kubota Ltd. has developed India's first electric tractor in 2017 and are beginning to sell in US and Europe. In addition, the company is also focusing on research and development of hybrid tractors and self-driving tractors.



Our vision

1. We will make Kubota the number one Tractor Manufacturer (in terms of Volume) in the world.
2. Contribute to further expansion of Kubota's sales and improvement of profit margin.
3. Further promote mechanization not only in India but also in the world.

First, we will make Kubota the world's number one tractor manufacturer in terms of volume. If we can make good use of the strengths of both companies, we believe that this is a fully achievable goal.

The second goal is to establish a global R&D base in India, utilizing Escorts Kubota Ltd.'s frugal engineering (Thrift thinking in design and development) and Kubota's world-class systems and processes to create a highly competitive future. We will continue to manufacture products at competitive prices. We believe that this will allow Kubota to compete at lower prices than it does now, and that it will be able to expand its volume and share in the European and American markets.

In addition, by becoming Kubota's global production base, we will be able to take advantage of Escorts Kubota Ltd.'s low-price cost structure and as well as ensuring high profitability, we will be able to supply Indian-made parts to factories around the world. We will also contribute to the improvement of Kubota's consolidated earnings on a global scale.



Tractor by Escorts Ltd., sales will begin through Kubota's global network

And the third goal is the strongest thought in my heart. It is to promote agricultural mechanization not only in India but around the world. In doing so, we remove the heavy labor from farmers and provide them with a safe and prosperous life, giving them the opportunity to spend time on other valueadding activities.

I feel that our major mission going forward is to contribute to the growth of Kubota's global business and to the safe and prosperous lives of the people of India.

Water & Environment



Eiji Yoshioka
 General Manager of Water and Environment Infrastructure Consolidated Division
 Director and Senior Managing Executive Officer

Fundamental Policies and Business Status

The Water & Environment business started in 1893 with the development of cast iron water pipes. In the decades since, we have worked to tackle the problems that society has faced in each era. By doing so, we have helped to put in place social infrastructure around the world. Going forward, we will continue to provide solutions that address problems on a global scale—such as climate change and resource recycling—and to realize our Long-Term Vision “GMB2030.”

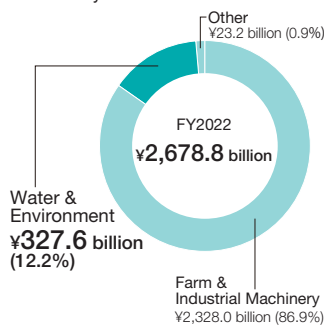
Outline for FY2022

Revenue in this segment increased by 7.3% from the prior year to ¥327.6 billion. Domestic revenue increased by 4.1% from the prior year to ¥276.6 billion, and overseas revenue increased by 28.6% from the prior year to ¥51.0 billion. Profit in this segment decreased by 22.5% from the prior year to ¥17.3 billion due to an increase in expenses resulting from inflation and other factors, even though price rises covered the rise in the price of raw materials.

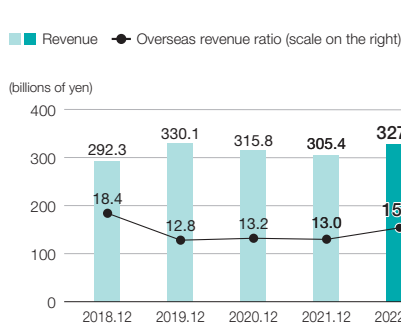
The social value we create

- Contribution to the development of sustainable water environment infrastructure by resolving social issues such as aging facilities, population decline, and disaster preparedness.
- Contribution to the forming of a recycling-based society by providing solutions that encourage water resource recycling and waste recycling.

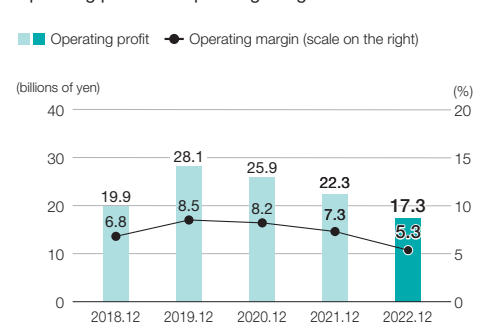
Revenue by business



Revenue and overseas revenue ratio



Operating profit and operating margin



*Owing to changes in organizational structure, “Air-conditioning equipment” previously included in the Farm & Industrial Machinery segment has been included in the Water & Environment segment since FY2020. Accordingly, results have been reclassified and restated for FY2019.

Source of our strengths

- Possession of many products with high shares of water-related markets, and product and technical development that is ahead of our competitors, in areas such as earthquake-resistance technologies and water-processing technologies.
- World-class water-related comprehensive corporation that can provide total solutions—that combine design, procurement, construction, and management—and possession of an extensive lineup of products in the water environment fields.
- Track record of processing illegally dumped waste from Teshima and radioactive waste from Futaba, and the incineration and melting technical capabilities that enabled this.

Major Water & Environment Products

(Pipe system products)



● Ductile iron pipes ● Plastic pipes



● Valves ● Materials (cracking tubes)



● Steel pipe piles ● Air-conditioning equipment

(Industrial machinery and material products)

(Environment products)



● Water treatment plants ● Pumps



● Submerged membranes ● Wastewater treatment plant (Johkasou)



● Waste incineration and melting plants ● Recycling plants

Analysis of Water & Environment Business

Strengths	Weaknesses
<ul style="list-style-type: none"> ● The Kubota brand, backed up by an extensive track record of shipped products ● Several products with big market shares (ductile iron pipes, submerged membranes, etc.) and original technologies ● Extensive product lineup 	<ul style="list-style-type: none"> ● Reliance on public projects in Japan ● Strengthening of overseas business ● Creation of new businesses
Opportunities	Threats
<ul style="list-style-type: none"> ● Increase in the number of contracts awarded to private companies due to regional authorities suffering from worsening finances or labor shortages ● Greater demand for updates to aging infrastructure ● Expanded investment in water infrastructure in developing nations ● Rising needs for resource recycling 	<ul style="list-style-type: none"> ● Dramatic price rises for raw materials ● Shrinking domestic market due to the aging, shrinking population ● Stagnation in demand for updates to infrastructure

Water & Environment business strategies and issues/responses

Business strategy	Response
<p>1. Shift to a solutions provider</p> <ul style="list-style-type: none"> ● Expansion of the environment O&M business ● Expansion of the solutions business (public-private partnership) 	<ul style="list-style-type: none"> ● In April 2022, we established KUBOTA Environmental Engineering Corporation by merging three subsidiaries, and concentrated management resources for tasks such as operations, maintenance, and management of facilities that were previously spread out. ● Utilizing IoT solutions “Kubota Smart Infrastructure System (KSIS),” we promote the construction of platforms that cover overall operations for water and sewage pipelines and facilities.
<p>2. Expand the resource recycling business</p> <ul style="list-style-type: none"> ● Expansion of the business in the public-demand domain 	<ul style="list-style-type: none"> ● In cooperation with Terrarem Group Co., Ltd., in which we acquired capital in December 2021, we are strengthening our waste resource recycling business. ● In April 2023, we concentrated the resources of our incineration/melting and recycling business through an internal reorganization.
<p>3. Expand overseas business</p> <ul style="list-style-type: none"> ● Expansion of the business in the ASEAN and North American markets 	<ul style="list-style-type: none"> ● In October 2022, we established the ASEAN Regional Water Business Management Office, and we are strengthening business expansion in the ASEAN region. ● We will expand our business in the North American market by increasing sales of submerged membranes to water reclamation facilities and sales of hazard-resilient ductile iron pipes.

Water & Environment Business Results and Mid-Term Business Plan 2025 Progress

FY2022 segment revenue (compared to FY2021 results)

● Water & Environment

¥+22.2 billion (Japan: ¥+10.9 billion; Overseas: ¥+11.3 billion)

(billions of yen)

Pipe systems	Revenue increased due to the effect of price rises for steel and plastic pipes Sales of plastic pipes to infrastructure projects decreased, but they increased to construction markets
Environment	O&M and public-private partnerships (PPP) projects increased
Industrial products*	Overseas sales of cracking tubes to petrochemical plants performed well

	2021 results	2022 results	Change from 2021
Pipe systems	126.6	134.6	+8.0
Environment	120.8	124.0	+3.2
Industrial products*	58.0	69.0	+11.0
Total	305.4	327.6	+22.2

*The Industrial Products segment was established in January 2023.

FY2023 segment revenue forecast (compared to FY2022 results)

● Water & Environment ¥+43.4 billion (Japan: ¥+35.4 billion; Overseas: ¥+8.0 billion)

Pipe systems	Sales of plastic pipes to construction facility markets, for non-housing purposes, etc., are robust
Environment	PPP and O&M projects continues to increase
Industrial products	Sales of cracking pipes stays similar to the previous year due to large projects Air-conditioning business sales to plants in Japan do well

Mid-Term Business Plan 2025 goals

- Aiming to switch our business domain from a focus on product and equipment sales to a solution proposal business that combines products and services, and expand our business.
- Aiming to construct a resource-recycling solutions business that utilizes our proprietary waste recycling, incineration, and melting technologies.
- Aiming to achieve Water & Environment revenue of ¥400 billion in 2025 under Mid-Term Business Plan 2025, by working to strengthen the foundations of our existing businesses.

Mid-Term Business Plan 2025 progress

- The solutions business, which we have positioned as a future driver of growth, is making steady progress. We are also steadily building up a record for orders for PPP projects.
- Revenue for FY2023 is forecast to increase ¥43.4 billion from FY2022 levels to reach ¥371.0 billion. In terms of progress toward achieving the revenue targets of Mid-Term Business Plan 2025, it is in line with plans.

Examples of Solutions Business Initiatives

1 Expansion in contracted PPP projects

- In the water and sewage market, in recent years the number of PPP projects is growing. Kubota is utilizing the entire strength of the Kubota Group, and providing total solutions—products, technologies, and services—to build up a track record in the PPP market.
Examples of major PPP projects
- Operation management and maintenance service and incinerator equipment renewal for Imaike Sewage Treatment Center Yamato River Downstream Regional Sewerage in Osaka Prefecture: tasks including updating the sludge incinerator and operating and managing the sewage treatment facility
- Water pipe and pump site design and build project for the Osaka Water Supply Authority: Establishment of water pipes, pump sites, and other facilities under the DB model*¹
- Joint water treatment plant development project in Kitajima, Naruto, for Naruto City Enterprise Bureau: development of a water treatment plant shared between the town of Kitajima and the city of Naruto, under the DB model*¹

2 First concession model contract (Miura City public sewerage operation)

- In December 2022, a special purpose company (SPC) established by a group of private companies that includes Kubota, signed an agreement with the government of Miura, a city in Kanagawa Prefecture, to operate the management rights to public facilities under the concession model*² (to run between April 1, 2023 and March 31, 2043).
- This project is the first example in Japan of the concession model being applied to a contract to operate, manage, repair, and update all public sewerage facilities (including treatment facilities, pump sites, and pipes).

*¹ Design & Build: a single project incorporating design and building

*² Concession model: Where local authorities retain ownership rights to facilities but outsource management rights to a private contractor



Artist's impression of the completed joint water treatment plant (Naruto City Enterprise Bureau)



Miura City public sewerage operation (concession model)

Chapter

04 Value Creation Sustainability

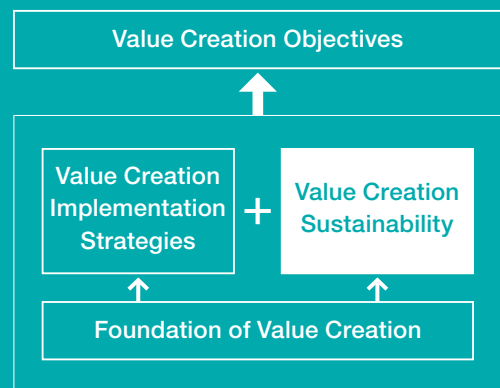
Overview

Our strategies and initiatives toward value creation have to be sustainable. As such, the Kubota Group has defined its original style of business operations that position ESG at the core of management as “K-ESG.” As we aim to solve environmental and social issues through business, we will ensure these strategies and initiatives are sustainable by strengthening our corporate governance.



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The Kubota Group’s K-ESG Management

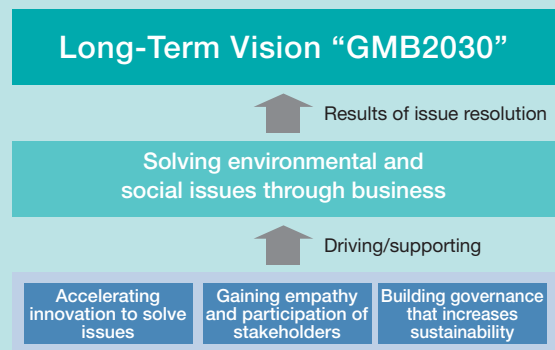
In both our Long-Term Vision “GMB2030” and Mid-Term Business Plan 2025, we promote business operations that position ESG at the core of management. We have defined the Kubota Group’s unique ESG measures as K-ESG—measures that are rooted in the Group’s corporate principles (the Kubota Global Identity). To that end, we are engaged in the reduction of environmental impact and the resolution of social issues through our business activities in the fields of food, water, and the environment.

K-ESG Management Initiatives

- 1 We will continue to create corporate value (social value and economic value) by solving environmental and social issues through business.
- 2 We will resolve those issues 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.

While passing down the Kubota heritage since our founding, we are vigorously promoting K-ESG management as the key to realizing our Long-Term Vision.

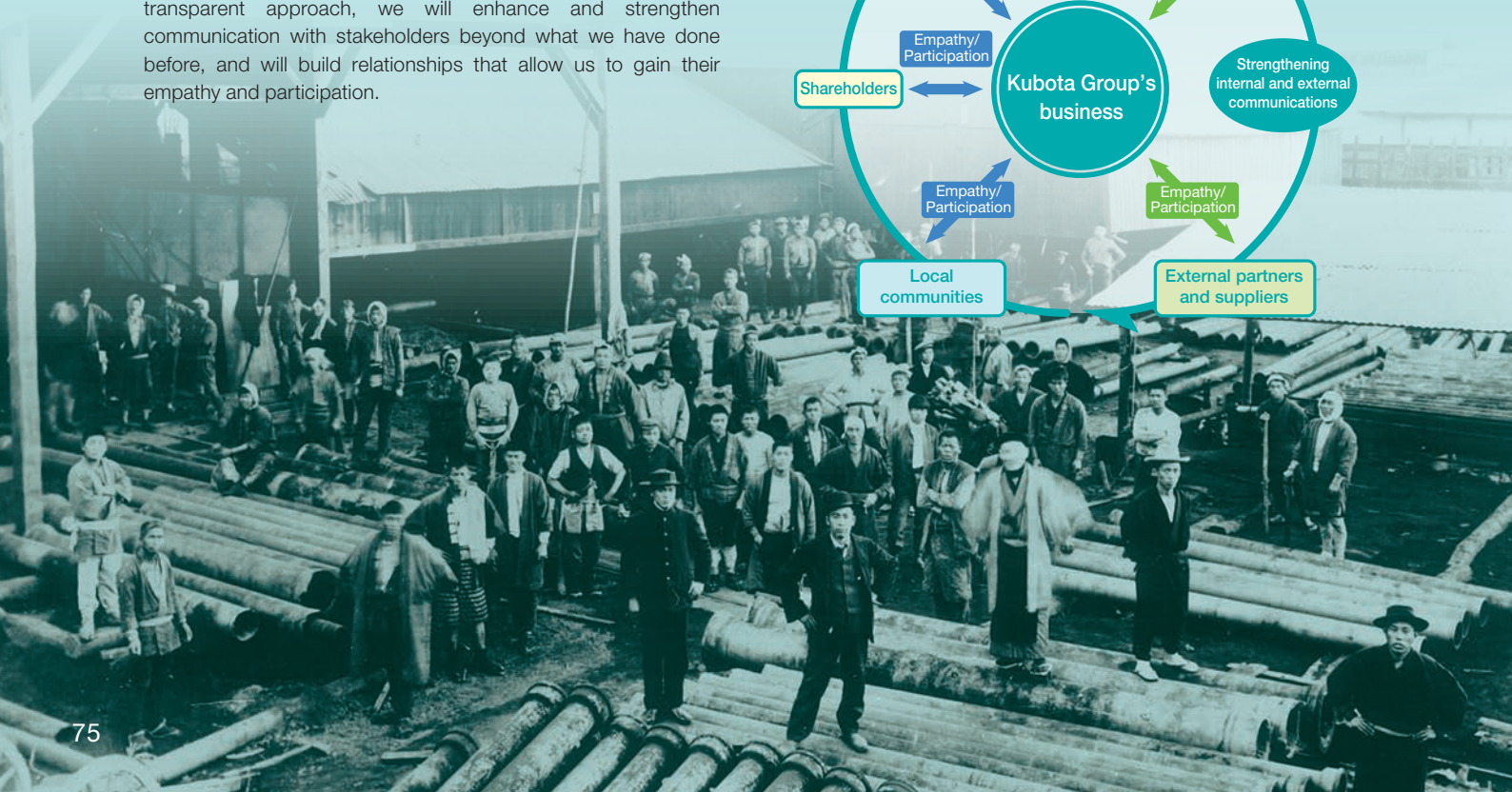
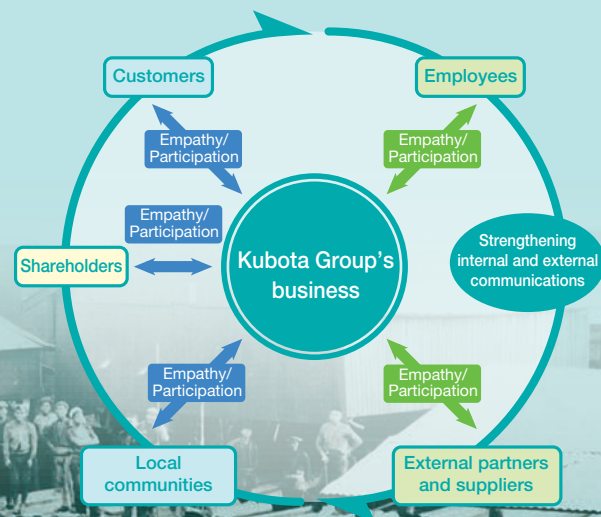
Resolving social issues is part of our corporate philosophy, and to continue and develop our efforts, we aim to further raise our corporate value by continuing to pursue both social and economic value.



K-ESG Management and Relationships with Stakeholders

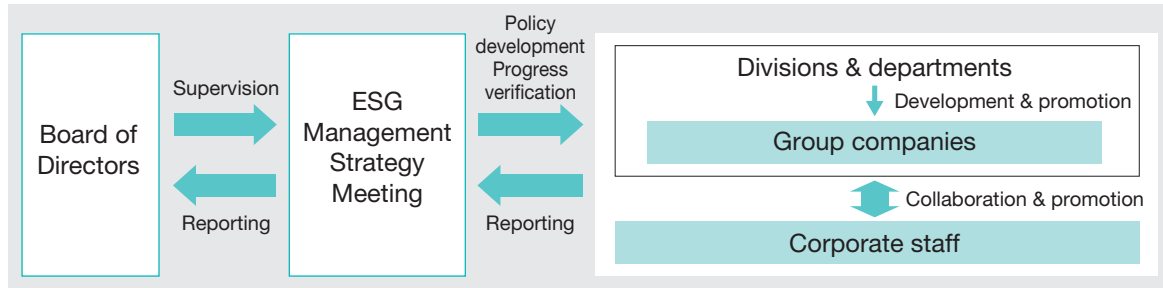
The “S” in K-ESG stands for “society,” which we take to also mean our stakeholders—customers, business partners, investors, local communities, employees, and others. Taking an open and transparent approach, we will enhance and strengthen communication with stakeholders beyond what we have done before, and will build relationships that allow us to gain their empathy and participation.

Relationship with stakeholders



K-ESG Management Promotion Framework

We have established the ESG Management Strategy Meeting under the direct control of the president. This body formulates policies aimed at creating the Group's corporate value in the medium and long term and carries out investigations and evaluations into major measures. The meeting's membership consists of the president and representatives for business departments, finance, human resources, R&D, manufacturing, and the environment. Matters decided on by the meeting are developed and promoted by business and corporate departments. They are also reported to the Board of Directors on an as-needed basis.



ESG Management Strategy Meeting Initiatives and Progress

In fiscal 2022, the ESG Management Strategy Meeting met a total of seven times, and discussed nine themes in total. The body discussed the results of the more than 60 discussions held between executives and relevant departments concerning the indicators and targets for 12 points of materiality in four areas identified in fiscal 2021. It then reported its findings and decisions to the Board of Directors.

With regard to the environment, the ESG Management Strategy Meeting deliberated on topics such as concrete measures to reduce Scope 1 and Scope 2 emissions and a roadmap for how to reduce Scope 3 emissions as part of our drive toward carbon-neutrality. Its discussions related to human resources covered subjects such as fundamental policies toward human resources and human capital, the key to achieving sustainable growth.

Major discussion themes for the ESG Management Strategy Meeting in 2022

- Materiality indicators and targets
- Carbon-neutrality
- Human capital



ESG Management Strategy Meeting in session

VOICE



Katsuyuki Shutta

General Manager of
ESG Promotion Dept.

Kubota's activities in the more than 130 years since its founding are the essence of ESG management

In 2021, the ESG Promotion Department was established, and I was honored to take up the position as its general manager. If we consider what value Kubota offers society, and delve a little deeper into the question, we can recognize that the company's approach has always been to resolve the issues facing the environment and society through its business activities since its founding. Its history, which stretches back more than 130 years, is itself a tale of ESG management, and in order to maintain this going forward, I will strive to tie this into stakeholder empathy and participation by raising pride in this within Kubota and by deepening understanding outside the company.

Environmental Initiatives



We will push forward with initiatives across the entire Kubota Group aimed at achieving our Environmental Vision.

Koichi Yamamoto

Managing Executive Officer
General Manager of Manufacturing Engineering Headquarters
(Environmental Conservation Control Officer)

Message from the person in charge

The Kubota Group formulated its Environmental Vision to quantify its target situation for 2050. To bring that vision to life, we are pressing forward with efforts throughout our business' entire value chain, including resource procurement, manufacturing and during use by the customer.

Our business fields are diverse; including agriculture, water infrastructure, and the living environments. The network of sites that manufacture and sell our products has also expanded globally. Going forward, we will work to enhance the environmental performance of our products, to provide solutions that minimize the emissions of greenhouse gases, to make steady progress toward reducing the environmental loads of our sites around the world, and to build a society that is carbon-neutral and resilient.

Environmental Vision

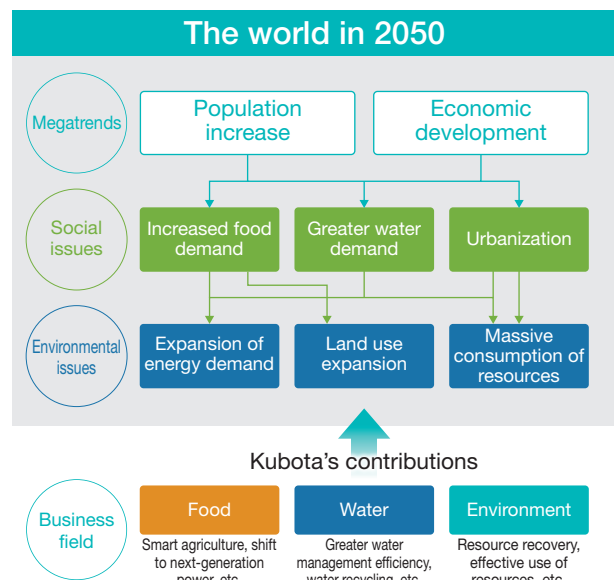
—Target Situation toward 2050 from an Environmental Perspective—

While challenging 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.”

Toward 2050

As the world's population rises, the demand for food and water is also expected to grow. Economic development, meanwhile, increases the desire among people to improve their living environments, which in turn will lead to greater global demand for energy and resources. Simultaneously, movements to shift to a more decarbonized society are picking up pace, and there are also efforts afoot to bring about a circular economy (i.e., an economy in which products and resources are maintained for as long as possible, and where waste is kept to a minimum).

In addition to our Long-Term Vision “GMB2030,” we have formulated our Environmental Vision that outlines our business activities on the environmental perspective toward the year 2050. Moreover, we are promoting initiatives that aim to achieve both business development that contributes to solving social issues, and ESG management that includes a response to environmental challenges.



Challenges Toward Carbon Neutrality

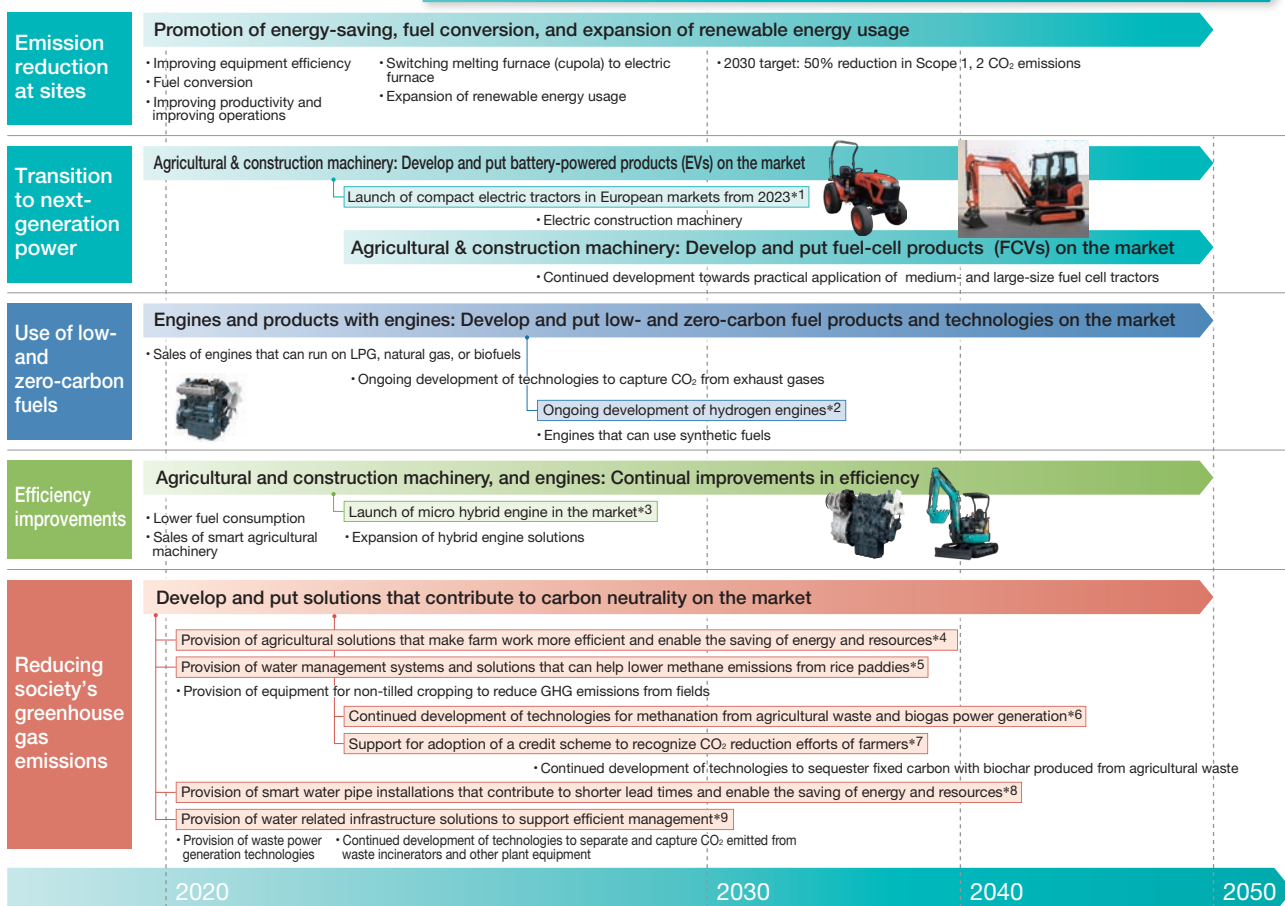
We have set the “mitigating and adapting to climate change” as an area of materiality on the path to achieving “GMB2030,” and we are accelerating efforts that will lead to our business activities helping to solve environmental issues. In terms of carbon neutrality, we are currently focusing our efforts on reducing the CO₂ emissions produced when manufacturing our products or during their use. At the same time, by providing products and solutions, we will mitigate the emission of greenhouse gases by society. Having set ourselves the challenging goal of net-zero CO₂ emissions by 2050, we intend to push ahead with initiatives to help us achieve it.

<Roadmap to carbon neutrality>

We have conducted scenario analysis in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), identified impacts on our business, and considered countermeasure strategies. We have formulated a transition plan (roadmap) to a low-carbon economy as we aim to achieve carbon neutrality by 2050.

Development and implementation phase in lead markets

Increase in products utilizing various power sources in step with regional energy supply infrastructure and market demand



The above roadmap is based on information that can be studied at present. It is subject to major changes, depending on future technological development and market trends.

*1 Compact electric tractors: www.kubota.com/news/2022/20220905.html

*2 Hydrogen engines: www.kubota.com/news/2022/20221003.html

*3 Micro hybrid engine: global.engine.kubota.co.jp/en/technology/microhybrid/index.html

*4 Agricultural solutions: www.kubota.com/innovation/smartagri/index.html

*5 Farm water management system: agriculture.kubota.co.jp/product/kanren/wataras/ (only in Japanese)

*6 System for recycling local resources using agricultural biomass:

www.kubota.co.jp/news/2022/management-20220405.html (only in Japanese)

*7 J-Credit Scheme certification for CO₂ reduction project:

www.kubota.co.jp/news/2022/management-20221226.html (only in Japanese)

*8 Smart water pipe installation:

www.kubota.co.jp/product/ironpipe/products/technology/innovation/ (only in Japanese)

*9 IoT solutions for water related plants and equipment:

www.kubota.co.jp/product/kisis/ (only in Japanese)

Development of electric products

To minimize the amount of CO₂ our products emit during use, we will take on the challenge of decarbonizing power sources, such as by switching products to electric power sources or fuel cells.

In 2023, we will start providing European markets with compact electric tractors, and going forward we will continue to implement R&D that looks to decarbonize society and expand our lineup of products.



Compact electric tractor

Development of products that use low-carbon and zero-carbon fuels

The Kubota Group is pushing forward with efforts to control greenhouse gas emissions through its development of engines. These efforts include hybrid engines, lower fuel consumption, and increasing the percentage of biodiesel used in fuels.

In 2022, we started on development for an industrial hydrogen engine designed to be fitted in dedicated hydrogen generators.



Kubota 3.8L hydrogen engine

Environmental Initiatives

Mitigating and Adapting to Climate Change: Disclosure in Accordance with the TCFD Recommendations

Governance

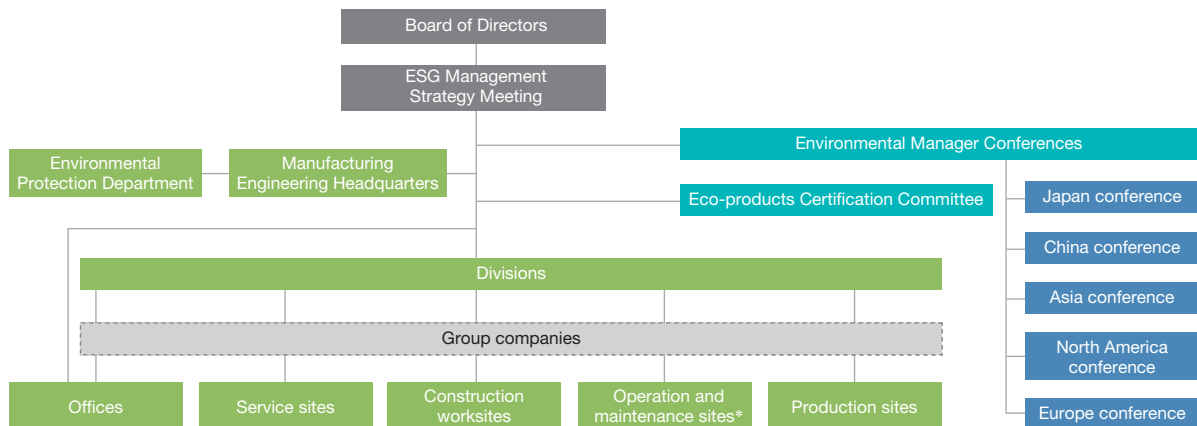
In 2021, with the objective of realizing our own ESG management, that committee was reorganized as the ESG Management Strategy Meeting to engage in discussion of ESG-related issues on a Group-wide basis. In addition, Environmental Manager Conferences are held in each of the five regions—Japan, China, Asia, North America, and Europe—to promote environmental management of the entire Group globally.

The ESG Management Strategy Meeting is chaired by the president & representative director and attended by all inside directors, directors in charge of business divisions, the director in charge of finance, the director in charge of human resources, the director in charge of R&D, the director in charge of manufacturing, the director in charge of environmental management, and the general manager of the Corporate Planning & Control Department. The meeting participants discuss the medium- and long-term direction of environmental management in light of global environmental issues such as climate change and the business environment. They also decide on plans for key initiatives aimed at reducing environmental impacts and risks, and enhancing the lineup of environment-friendly products. The results of the meetings are reported to the Board of Directors and the Executive Officers' Meeting, and are distributed throughout the Group. It also promotes management based on the plan-do-check-action (PDCA) cycle by assessing and analyzing the progress of the entire Group's environmental conservation activities and reflecting the results

when formulating new plans and policies. The ESG Management Strategy Meeting was convened four times in FY2022 to discuss environmental issues.

At the Environmental Manager Conferences, the Kubota Group policy and promotion items are communicated and the status of progress on medium-term environmental conservation targets is shared, along with case studies of energy-conservation measures, environmental risk countermeasures, and so forth. The conferences discuss matters such as how to solve issues related to environmental conservation activities in each region.

Moreover, the Group has set out environmental conservation targets taking medium-term (five-year activity period) and long-term (15-year activity period) perspectives, based on social trends and regulations in each country related to the environmental issues. The medium-term environmental conservation targets are revised every five years, or whenever necessary depending on the progress in achieving them. Medium-term environmental conservation plans are made individually by each site for global production sites. The Environmental Protection Department checks the status of progress on targets twice a year. In the same way, medium- to long-term targets for the sales ratio of products certified as Eco-Products are set and the department checks the status of progress once a year. The details and progress of the plans are also reported to the Executive Officers' Meeting.



*Sites engaged in the business of operation or maintenance of environmental plants

Initiatives to date

2020	2021	2022	2023
<ul style="list-style-type: none"> Supporting the recommendations of the TCFD Examining scenario analysis results before formulating an environmental vision Formulation of Medium-Term Environmental Conservation Targets 2025 	<ul style="list-style-type: none"> Formulation of the Environmental Vision toward 2050 Launch of the ESG Management Strategy Meeting Examining business domain risk and opportunity analysis results 	<ul style="list-style-type: none"> Revisions to Long-Term Environmental Conservation Targets 2030 Disclosure of climate change strategies for the agricultural machinery and water-related businesses Reflection of ESG evaluation in executive remuneration system 	<ul style="list-style-type: none"> Disclosure of scenario analysis results for all businesses Expanded disclosure of financial impacts Development of a transition plan Revisions to Medium-Term Environmental Conservation Targets

Risk management

The ESG Management Strategy Meeting, which is chaired by the president, deliberates on medium- and long-term targets and key measures relating to environmental conservation, as well as medium- and long-term direction of environmental management, in light of climate change and other global environmental problems and the Group's operating environment. The objective of this meeting is to formulate policies for generating medium- to long-term corporate value from an ESG perspective and examine and evaluate key measures. Also, the outcomes of its discussions are reported to the Board of Directors and Executive Officers' Meeting when necessary.

Metrics and targets

The Kubota Group has set Medium- and Long-Term Environmental Conservation Targets aiming to reduce the risks and expand the opportunities due to climate change and is working to achieve these targets. Furthermore, we calculated performance data on CO₂ emissions (Scopes 1 and 2) at the Group's global sites (production and non-production sites) and upstream and downstream CO₂ emissions (Scope 3) and disclose our results for the past years. We have obtained third-party assurance for the main disclosed data, and we are working to improve our accuracy.

For more details on our medium- and long-term environmental conservation targets, please follow the link below.
www.kubota.com/sustainability/environment/active/

Strategy

Overview of scenario analysis

We formulated our Environmental Vision, which presents the direction for our business activities from an environmental perspective toward 2050, having made an analysis of future society based on the scenarios for 1.5°C/2°C and 4°C temperature rises by the Intergovernmental Panel on Climate Change (IPCC), the International Energy Agency (IEA), and other bodies. The Environmental Vision not only lays down the challenge of achieving zero environmental impacts through efforts aimed at reducing CO₂ emissions at our production sites, but also represents our commitment to help solve various social issues in the fields of food, water, and the environment through the provision of

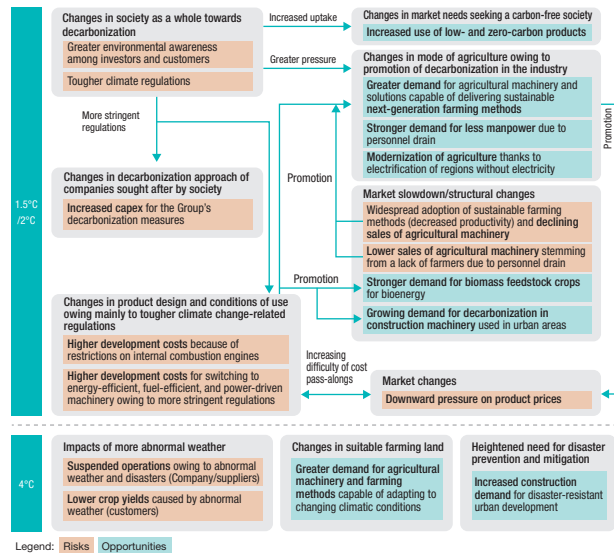
environmentally friendly products and solutions and to help bring about a carbon-neutral and resilient society. In order to achieve the Environmental Vision, we need to take into account how our business activities are impacted by regulatory developments, technological advancements, and changes in the market. We also need to focus on the physical changes brought on by the acceleration of climate change. To that end, we have analyzed and evaluated the impacts of climate change on our business domains in light of the anticipated future changes in the market and business environment.

The world in 2030: Farm & Industrial Machinery Business

Decarbonization will be picking up pace in living environments

In the future, we anticipate that the push for greater diversification of power sources will gain increasing momentum in the field of industrial machinery. In the long term, under the 1.5°C/2°C temperature rise scenario, the use of electricity and low-carbon or zero-carbon fuels is expected to expand, but it is unclear whether this spread will also apply to applications such as agricultural and construction machinery. In 2030, while the use of such power sources will have become more widespread in some regions, we believe that there will still be demand for products that rely on fossil fuels. We also predict that there will be increased needs for reduced greenhouse gas emissions through sustainable, next-generation farming methods and the agricultural machinery required for them. In addition, there could be changes to the amount of rainfall or the environments where crops are grown, so agriculture will also be called on to adapt to climate change.

The World in 2030 with Respect to the Farm & Industrial Machinery Business

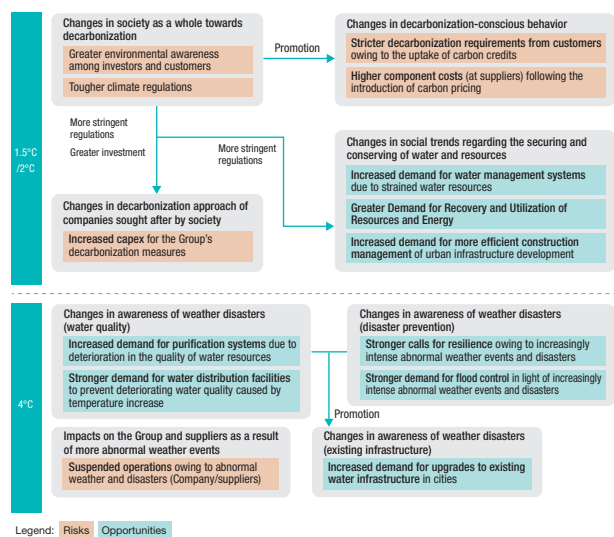


The world in 2030: Water & Environment Business

Moves to encourage effective use of water and resources, and to make urban infrastructure more resilient

We expect impacts to materialize in procurement, manufacturing, and other parts of the value chain owing to the decarbonization of production methods for steel and a higher carbon tax, a key raw material in many products. In addition, we anticipate expanded use of mineral resources in society as a whole due to population increase and economic development. We anticipate that awareness of the issues of decarbonization and circular economies will grow within society as a whole, and that efforts to reuse resources—to avoid the mining of new resources—will accelerate. There are, however, concerns that water quality will deteriorate mainly because of the salinization of groundwater caused by rising sea levels, and increased turbidity of rivers stemming from torrential rain. All of this likely means that water resources will have to be managed even more rigorously. In some areas, there is the possibility that rising water stresses will have a greater impact on the water we use for agricultural and daily life, and that torrential rain could become more frequent and cause more damage.

The World in 2030 with Respect to the Water & Environment Business



Environmental Initiatives

Scenario analysis results

Business field	Scenario		Summary of scenario analysis results (changes in market and operating environment)
Farm & Industrial Machinery	1.5°C/ 2°C	Risks [Technologies] Opportunities [Products]	Changes in product design and conditions of use owing mainly to tougher climate change-related regulations <ul style="list-style-type: none"> Controls on fuel-efficiency improvements in internal combustion engines will be further tightened up ahead. Japan, the US, and European countries have announced carbon-neutrality roadmaps for around 2050 and the transition to electrification and BEVs in the passenger car market in particular is gaining momentum New regulations will be applied to products that use internal combustion engines, like agricultural and construction machinery and utility vehicles, and that the need to reduce CO₂ emissions will grow stronger and demand for electrification, fuel cells, low- and zero-carbon fuels (hydrogen engines and synthetic fuel engines), and other power sources will grow increasingly diversified. For large machinery not suited to electrification because of the requirement for long operating hours and higher power, products with internal combustion engines will be used. The use of low- and zero-carbon fuels in internal combustion engines will also increase.
		Opportunities [Markets]	Changes in market needs seeking decarbonized products and services <ul style="list-style-type: none"> Market demand will increase for new value nonexistent in construction machinery, lawnmower, and utility vehicle products with internal combustion engines. For example, reduced noise pollution, no refueling hassles, and indoor use. Depending on the fuel supply infrastructure in the region, demand will grow stronger for products equipped with a gas/hydrogen engine or a hybrid engine that runs on low- or zero-carbon fuels.
	Opportunities [Markets]	Changes in mode of agriculture owing to promotion of decarbonization in the industry <ul style="list-style-type: none"> Crop yields will increase as farming technology advances and the effective use of farming land is further encouraged to mitigate the impacts of climate change Decarbonization in agriculture will continue to gather momentum in developed economies and the adoption of sustainable farming methods will become more widespread. Decarbonization and modernization of agriculture in emerging economies will progress concurrently and give rise to smart farming and farming solutions, which in turn will spur demand for energy-efficient agricultural machinery. Demand will grow stronger for carbon-free farming methods, such as non-tilled cropping, that lead to increased carbon storage in the soil. 	
	4°C	Opportunities [Resilience]	Changes in suitable farming land (changes in demand for agricultural machinery and farming methods) <ul style="list-style-type: none"> Climate change will affect the relocation of suitable farming land and crop production Demand will increase for farming solutions and support on transitioning to new agricultural machinery and farming methods, including smart machinery and precision agriculture. Changes in demand for farming solutions are emerging in wet climate regions, especially North America, Asia, and some parts of Europe.
Water & Environment	1.5°C/ 2°C	Risks [Regulations & Technology]	Changes in decarbonization approach of companies sought after by society <ul style="list-style-type: none"> Calls will grow stronger for decarbonization across a product's life cycle worldwide, including the introduction of carbon pricing schemes and carbon border adjustment mechanisms. Customers will demand low- or zero-carbon manufacturing processes.
		Opportunities [Markets]	Changes in social trends regarding the securing and conserving of water and resources <ul style="list-style-type: none"> Ongoing population increase and economic development will further drive up demand for water Restrictions will be enforced on the intake and discharge of water for household and industrial use in developed countries and Asia as a preventive measure against stretched water resources and deteriorating water quality owing to the impacts of climate change. Demand will increase for solutions that resolve water shortages and poor water quality.
	Opportunities [Resource efficiency]	Changes in social trends regarding the securing and conserving of water and resources <ul style="list-style-type: none"> Demand will rise for solutions that facilitate the effective utilization of energy and resources, such as the use and exploitation of rubbish and agricultural waste, as well as the recovery of energy from previously unused small-scale hydropower. Decarbonization combined with a circular economy will gather momentum, the mining of new resources will be avoided, and the recycling of resources will further increase. Demand will grow stronger for solutions that can make the construction of water infrastructure more efficient, primarily as a result of increased urbanization construction work and fewer workers. 	
	4°C	Opportunities [Resilience]	Changes in awareness of weather disasters <ul style="list-style-type: none"> Climate change is expected to negatively affect people's living environment chiefly because of the more frequent occurrence of typhoons, torrential rain, and other natural disasters, alongside drought and deterioration in water quality. Demand will increase for stronger resilience of existing water and sewage infrastructure, upgrades to aging facilities, and improvements in water quality in order to combat increasingly intense natural disasters. Demand will grow in Japan for water-related products aimed at bolstering national resilience in response to increasingly intense natural disasters as a consequence of climate change.
Common	1.5°C/ 2°C	Risks [Regulations]	Changes in decarbonization approach of companies sought after by society <ul style="list-style-type: none"> Regulations and measures geared towards decarbonization will gather momentum and the rollout of a carbon tax scheme and impetus for the use of renewable energy will accelerate, thus driving up energy prices. Taxes on fossil fuels and CO₂ emissions will increase owing to the introduction of a carbon tax. Energy costs and expenses associated with energy-saving measures are expected to rise when governments worldwide enforce stricter energy-saving restrictions
	4°C	Risks [Physical]	Impacts on the Group and suppliers as a result of more abnormal weather events <ul style="list-style-type: none"> There will be increasingly intense and more frequent meteorological disasters like torrential downpours and floods. Negative effects on business activities are expected to be felt at the Group's sites and at suppliers. Production and sales activities will be affected by delays in procuring raw materials.

*1 Impact on earnings shown as low (less than or equal to ¥2.5 bn), medium (greater than ¥2.5 bn but less than or equal to ¥25.0 bn), or high (greater than ¥25.0 bn).

Evaluation results and financial impacts*1 (2030)		Countermeasure strategies
<ul style="list-style-type: none"> We will need to secure business opportunities in the future by aggressively pursuing R&D of products that offer improved fuel efficiency and can run on various power sources 	Medium	<p>We intend to contribute to the reduction of CO₂ emissions at the product use stage through innovation.</p> <ul style="list-style-type: none"> Continue to bolster hybridization efforts and other R&D activities aimed at improving fuel efficiency of engines most likely subject to tighter restrictions up ahead Expand our lineup of products that can help bring about carbon neutrality, in keeping with the needs of the market Accelerate R&D towards the practical application of various power sources, such as electrification, fuel cells, low- and zero-carbon fuels (hydrogen engines and synthetic fuel engines) according to the energy supply situation in each region
<ul style="list-style-type: none"> The impact on revenue of decarbonized products will be limited even though restrictions will have been adopted in some developed regions by 2030 	Low to medium	
<ul style="list-style-type: none"> The impact on revenue by 2030 will be limited even though in some lead markets and existing markets there will be customers wanting electrified UVs, lawnmower, and construction machinery and the like 	Low to medium	
<ul style="list-style-type: none"> Prospects for higher revenue from mainly agricultural machinery and smart farming solutions that contribute to low- and zero-carbon agriculture 	Medium to high	<p>We will look to help lower greenhouse gas emissions from farming and support sustainable food production activity.</p> <ul style="list-style-type: none"> Propel R&D in products and services that can be adapted to low- or zero-carbon farming practices and changing weather conditions; for example, recycling of local biomass resources and carbon storage Expand and popularize agricultural machinery and services that make smart farming (automated machinery, precision agriculture, etc.) possible so as to contribute to more efficient farming that requires less manpower Contribute to the establishment of sustainable agriculture through next-generation crop production to help solve issues in the food value chain with the use of vegetable factories and the like Give tangible shape to farming solutions in regions affected by changing weather conditions Expand applications for the following systems that integrate cutting-edge technology with ICT to contribute to greater farming efficiency: Kubota Smart Agri System (KSAS), a system that supports farm operations; Kubota Smart Infrastructure System (KSIS), an IoT solutions system; and WATARAS, Kubota's farm water management system
<ul style="list-style-type: none"> Prospects for higher revenue from agricultural machinery and farming solutions that can be adapted to changing weather conditions. 	Medium to high	
<ul style="list-style-type: none"> Investment in carbon-free and energy-saving equipment will increase 	Low	
<ul style="list-style-type: none"> Prospects for higher revenue from products and solutions in connection with the development of water and sewage infrastructure 	Medium to high	<p>We intend to contribute to the effective use of various resources (water, energy, minerals, etc.).</p> <ul style="list-style-type: none"> Contribute to the development of water and sewage infrastructure to meet increased water demand Expand offerings of purification and sewerage treatment products and solutions to help improve water quality Manufacture and promote the use of biofuels derived from mainly agricultural waste, household waste, and sewage sludge so as to contribute to the development of resource recycling schemes in communities Recover useful metals from waste sent to final disposal sites and further the development of deep recycling technology to extract energy when melting incinerated ash Expand the use of smart waterworks systems that contribute to energy-savings during water pipeline construction and management
<ul style="list-style-type: none"> Prospects for higher revenue from solutions related to the reclamation/recovery and more efficient use of resources and energy 	Medium to high	
<ul style="list-style-type: none"> Prospects for higher revenue from ongoing demand for products and solutions in connection with the development of more resilient water infrastructure, disaster response measures, and water quality improvements 	Low to medium	
<ul style="list-style-type: none"> Manufacturing costs will rise, driven by higher energy and raw material prices 	Medium	<p>We intend to contribute to the reduction in CO₂ emissions generated by business activities.</p> <ul style="list-style-type: none"> Promote initiatives aimed at conserving energy use, installing energy-efficient equipment, switching fuels, installing LED lighting, and expanding the use of renewable energy at production sites
<ul style="list-style-type: none"> An expected carbon tax burden will materialize when emission reduction targets are met as a result of measures taken to save energy and curb CO₂ emissions 	Low (approx. ¥2.5 bn*2)	
<ul style="list-style-type: none"> Disaster-related losses may arise as a result of weather disasters 	Medium (approx. ¥3.0 bn to ¥6.0 bn*3)	<p>We will aim to beef up climate change risk countermeasures at the Group's sites and at suppliers.</p> <ul style="list-style-type: none"> Use hazard maps to identify sites that are at high risk of suffering damage from torrential rain, flooding, and strong winds and systematically push ahead with the reinforcement of buildings and measures to prevent electrical equipment from being inundated by water Decentralize the purchasing of parts and materials by diversifying procurement routes Construct a manufacturing system that is resilient to weather disasters based on a business continuity plan (BCP)
<ul style="list-style-type: none"> Costs associated with BCP measures for avoiding the adverse impacts of weather disasters could increase 	Medium	

*2 Calculated by multiplying the projected carbon tax as of 2030.

*3 Calculated with reference to losses stemming from previous weather disasters.

Environmental Initiatives

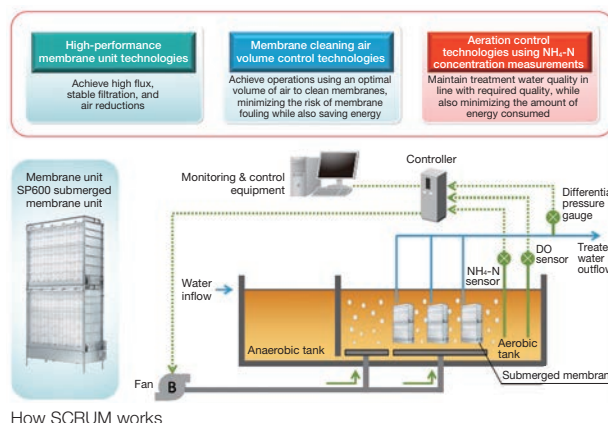
Promoting the Circulation of Water Resources and Waste

In addition to providing products that assist in the effective use of water, we are also developing technologies that can recover fuel or resources from sources such as agricultural wastes or sewage sludge. Going forward, we will help to bring about a resilient, recycling-oriented society.

Water management and treatment

SCRUM, a sewage treatment technology

We have installed cutting-edge SCRUM (smart control technology for reducing energy used in MBR) sewage treatment systems, which were jointly developed by Kubota and Toshiba, at Nakahama Sewage Treatment Plant in Osaka, Japan to improve water quality for the Dotombori and Higashiyokobori rivers that run through the city.



WATARAS

Our farm water management system (WATARAS) helps toward the effective use of water and to reduce the workload involved in water management, but it is also expected to assist with the prevention of flooding, due to the way it effectively turns paddies into dams.

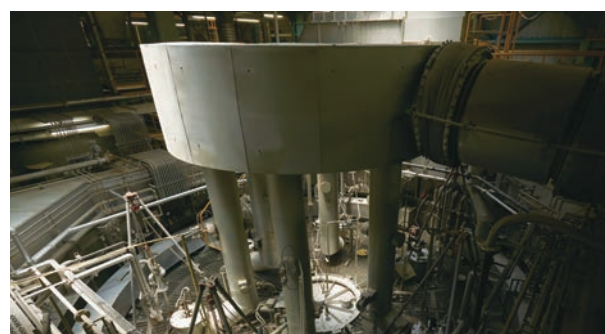
Resource recycling

Technologies that recover resources from waste (melting furnaces)

Melting furnaces can be used with waste plastic as a fuel, and the molten slag they produce can be used in place of stones or sand. By providing equipment and technologies, we will contribute to the recycling of resources.

Remanufacturing business—recycling membrane cartridges

In addition to offering submerged membrane units, which are used to purify domestic and factory wastewater, we are assisting with the reduction of waste by recycling returned membrane cartridges.



Melting furnace

Conserving Biodiversity

Through its business activities, the Kubota Group endeavors to ensure that care is taken to conserve biodiversity and protect the natural environment.

For business activities in the fields of agriculture as well as water and the environment, in which the importance of relationships with biodiversity is understood, we carry out evaluations using the LEAP approach suggested by the Taskforce on Nature-related Financial Disclosures (TNFD).

 For more details on the evaluation results, please follow the link below.
www.kubota.com/sustainability/environment/bio/

Evaluation of the impact on biodiversity in agriculture (excerpts)

Locate	<ul style="list-style-type: none"> Since rice farming is prevalent in Japan and other locations in Asia, agricultural machinery, its related products and services are widely used 				
Evaluate	<ul style="list-style-type: none"> Pesticides/fertilizers: the overuse of pesticides and chemical fertilizers leads to soil pollution and worse water quality Land: land may be reclaimed or cleared through deforestation to expand the area of farmable land 				
Assess	<table border="1"> <tr> <td>Risk</td> <td> <ul style="list-style-type: none"> Unsustainable agriculture would lead to farmers quitting the industry Selling products with poor environmental performance could lead to customer attrition </td> </tr> <tr> <td>Opportunity</td> <td> <ul style="list-style-type: none"> By providing products and services that both raise agricultural productivity and achieve sustainability, we can expect to increase revenue </td> </tr> </table>	Risk	<ul style="list-style-type: none"> Unsustainable agriculture would lead to farmers quitting the industry Selling products with poor environmental performance could lead to customer attrition 	Opportunity	<ul style="list-style-type: none"> By providing products and services that both raise agricultural productivity and achieve sustainability, we can expect to increase revenue
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Opportunity	<ul style="list-style-type: none"> By providing products and services that both raise agricultural productivity and achieve sustainability, we can expect to increase revenue 				
Prepare	<ul style="list-style-type: none"> Through the provision of products—such as KSAS and smart agricultural machinery—that increase yields and optimize fertilizer volume, minimize negative effects on ecosystems and habitats 				



For more details on our Medium- and Long-Term Environmental Conservation Targets, please follow the link below.

www.kubota.com/sustainability/environment/active/

The Kubota Group's Environmental Conservation Efforts

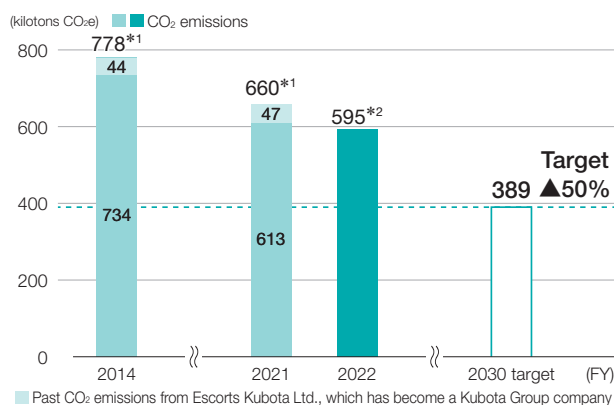
In order to promote environmental management as a sustainable company in light of various recent social developments, such as SDGs and the Paris Agreement, the Kubota Group has challenged itself to achieve zero environmental impact in its Environmental Vision for 2050.

Scope 1 and 2 CO₂ emissions reduction targets and results

Worldwide, we are systematically advancing a range of initiatives, including energy-efficiency efforts, switching to electric melting furnaces, and making greater use of renewable energy.

Long-Term Environmental Conservation Targets 2030 (excerpts)

Target	Reduce CO ₂ emissions from the Kubota Group by 50% by 2030 compared to the base year FY2014.
Boundary	Scope 1 and 2 CO ₂ emissions for global sites



*1 CO₂ emissions from acquired companies have been adjusted retroactively before the acquisition.

*2 CO₂ emissions that have not been adjusted for FY2022 are 585 kilotons CO₂e.

Medium- and Long-Term Environmental Conservation Targets and Results

To promote systematic reduction of environmental impacts, we have been promoting initiatives by formulating our medium- and long-term targets for environmental conservation. We have revised target values for those indicators that we exceeded our 2025 targets in FY2022. To implement continuous improvement activities, we have also newly set targets for 2030.

Reporting boundary	Issue	Action item	Management indicator*1	Base FY	Target for FY2025*4		Target for FY2030*5	Results for FY2022
					Before revision	After revision		
Global production sites	Mitigating and adapting to climate change	Reduce CO ₂ (Scopes 1, 2)	CO ₂ emissions*2, 3	2014	-	-	▲50%	▲23.6%
			CO ₂ emissions per unit of production*1	2014	▲25%	▲45%	▲60%*6	▲38.9%
		Ratio of renewable energy usage*3	-	1% or more	20% or more	60% or more*6	8.3%	
	Save energy	Energy consumption per unit of production	2014	▲18%	▲35%	▲40%*6	▲32.5%	
		Working towards a recycling-based society	Reduce waste	Waste discharge per unit of production	2014	▲33%	▲45%	▲50%*6
	Hazardous waste discharge per unit of production		2019	▲3%	▲17%	-	▲15.5%	
	Recycling ratio (Japan)		-	Maintain 99.5% or more	-	99.2%		
	Recycling ratio (Overseas)		-	Maintain 90.0% or more	-	94.6%		
	Conserving water resources	Conserve water resources	Water withdrawal per unit of production	2014	▲23%	▲35%	▲40%*6	▲31.6%
	Controlling chemical substances	Reduce VOCs	VOC emissions per unit of production	2014	▲42%		-	▲37.6%
Products	Improving products' environmental performance	Expand Eco-Products	Sales ratio of Eco-Products	-	70% or more		80% or more	65.6%
		Promote recycling	Usage ratio of recycled materials*4	-	Maintain 70% or more		-	70.4%

*1 The figures per unit of production represent the intensity of the environmental load per unit of money amount of production. The exchange rate of the year 2014 is used when translating the money amount of production of overseas sites into Japanese yen.

We use the emissions coefficient for electric power of the base year in our calculation of CO₂ emissions from energy sources.

*2 We use the emissions coefficient for electric power for each fiscal year in our calculation of CO₂ emissions from energy sources. *3 The applicable boundary is global sites.

*4 Usage ratio of recycled materials (%) in the cast metal products and parts manufactured by the Kubota Group (ductile iron pipes, fittings, machine cast products (engine crankcase, etc.))

*5 ▲ indicates a negative figure. *6 Newly set 2030 targets

CO₂ emissions throughout the value chain

In addition to calculating the Scope 1 and 2 CO₂ emissions from its business sites, the Kubota Group works out the Scope 3 CO₂ emissions generated throughout the value chain.



For more details on our CO₂ emissions data for each scope, please follow the link below.

www.kubota.com/sustainability/environment/ghg/

Social Initiatives

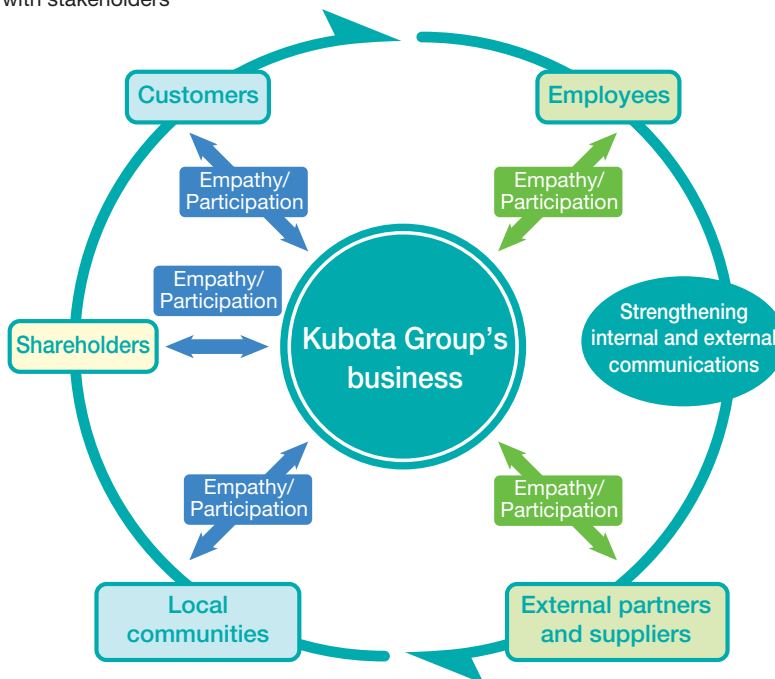
Initiatives for Society and Stakeholders

Fundamental policy

The approach that Kubota takes toward society is best expressed in two sentiments left by the company's founder, Gonshiro Kubota: "Our products should not only be technically excellent, but also useful for the good of society." and "For the prosperity of society, we need to put all of our efforts into creation."

In the ESG management that we reference in our Long-Term Vision "GMB2030" and Mid-Term Business Plan 2025, the "S" that normally stands for "society" can also be taken to mean "stakeholders." By fostering reciprocal empathy and participation with our many stakeholders—customers, business partners, shareholders, investors, local communities, employees, and others—we will successfully make more and better contributions to society.

Relationship with stakeholders



Relationships with Our Customers

We always ask ourselves how we can bring our customers the maximum amount of satisfaction, and for that reason we stick close to our customers around the world, visit the places they work, and listen to real feedback as part of a thorough policy that puts on-site needs first. We wish to deliver products, technologies, and services that exceed customer expectations speedily, and aim to earn the trust of the greatest number of customers as a company that makes the greatest contribution to society.

Customer Satisfaction Survey

Kubota conducts a survey to obtain feedback for monitoring customer satisfaction with customer support by dealers of domestic farm machinery and also with its products. We share the feedback and survey scores received from the respondents with the dealers and related departments, and utilize the information to improve our sales and service activities, as well as our products.

"Overall customer satisfaction with store where purchased" for July 2021 to June 2022 stood at 65.7 points, almost unchanged

from the 66.0 points of the previous year (surveyed from July 2020 to June 2021).

Kubota will continue to make efforts to improve customer satisfaction.

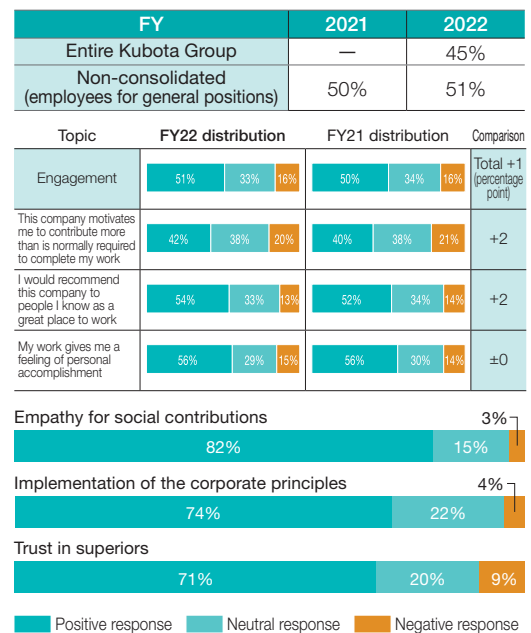
Employee Engagement

Fundamental policy

Under the K-ESG management that we aspire to, employees should put the corporate principles in practice, and we should gain the empathy and participation of stakeholders inside and outside Kubota. Our employees are the main driving force in the K-ESG management, and as such are an important stakeholder. Furthermore, customer satisfaction cannot be accomplished without employee satisfaction. We promote the creation of comfortable and motivated workplaces where our employees can not only work safely and securely but also feel pride and joy in their work.

Engagement survey findings

One of the areas of materiality set for our K-ESG management is the “improvement of employee growth and job satisfaction.” To that end, we have been carrying out engagement surveys since 2021 in order to assess employee engagement. We believe that having positive, motivated employees will generate empathy from other stakeholders. By having each organization face and work on issues we have identified, our aim is to become a company where every employee feels motivated. For the FY2022 onward, we have expanded the survey to improve overall engagement. As such, the score for this fiscal year has gone down due to the expansion, but when comparing with like-for-like answers from the respondents surveyed in the previous year (non-consolidated employees for general positions), the score is trending upward. We also maintained a high proportion of positive responses to questions on empathy for social contributions and trust in superiors (psychological safety). This fiscal year, we will continue to focus on providing chances for growth and invigorating internal communication, with the aim of achieving an engagement score of 60% by 2025. Examples of our initiatives to offer growth opportunities so far include an internal second-job system, internal recruiting, and career development training. We have also helped to create a more open working environment by doing away with hierarchical patterns of address in Japanese, and the dialogue that we achieve through this and further promoting efforts such as 1-on-1 meetings and town hall meetings, is creating opportunities to understand each other.



Dropping hierarchical patterns of address

We are diligently working to create open working environments, and as part of this effort, we are recommending that all employees forgo the traditional Japanese hierarchical patterns when addressing one another, including toward executives. If we can develop relationships where opinions can be expressed freely—regardless of such considerations as who is more or less senior—employees will feel a greater degree of psychological safety, and this will encourage them to take leaps into the unknown. It will also make it easier to share necessary information. These and other consequences will raise the organization’s performance, and help to create positive, motivating workplaces.

Employee Engagement: Major Initiatives

- Town hall meetings attended by executives
- 1-on-1 seminars (periodic interviews between bosses and their subordinates on a one-to-one basis)
- Start of age-specific career development training
- Introduction of a flextime system (with no required “core” hours) to promote workstyle reform
- Ongoing engagement survey
- Ongoing K-ESG Awareness Survey (previously CSR Awareness Survey)

Smartphones for every employee, including technical staff

Our distribution of smartphones to all employees has been effective in encouraging speedy, two-way communication with relevant others. By giving smartphones to technical staff at manufacturing sites, in addition to those we have provided to office staff and engineers, several efficiency savings (including less use of paper) have been achieved, and we believe that it has contributed to increased productivity and more motivated employees. Next, we will work on DX promotion measures that make effective use of those smartphones.

Employee Engagement: Understanding and Departmental Support

- Video message from the president
- Special engagement website
- Study seminars with outside instructors (for executives and heads of departments)
- Voluntary dialogue workshops (for heads of departments)

Social Initiatives

Relationships with the Supply Chain

Customers are becoming increasingly aware of what goes on in the entire supply chain that creates products and services.

For this reason, Kubota has established the Kubota Group CSR Procurement Guidelines, based on the belief that it is necessary to have a common understanding of CSR with its major business partners in order to engage in collaborated efforts. By requesting business partners to submit a consent form indicating their intention to observe the terms of these guidelines, Kubota is encouraging its business partners' initiatives that target safe work practices, respect for human rights, and other important factors.

The Kubota Group CSR Procurement Guidelines

1. Winning Customer Satisfaction
2. Conducting Corporate Activities Based on Compliance with Legal Regulations and Ethical Principles
3. Respecting Human Rights
4. Building up a Safe and Vibrant Work Environment
5. Conserving the Global and Local Environment
6. Achieving Symbiosis with International and Local Societies
7. Fulfilling Responsibilities for Improving Management Transparency and Accountability

Relationships with Shareholders and Investors

With the aim of sustainable growth and improving our medium- to long-term corporate value, we encourage constructive dialogue with shareholders and investors.

We also have results briefings for domestic and foreign institutional investors, company information sessions for individual investors and factory tours. Going forward, we will engage in dialogue with all stakeholders.

More recently, we held 340 interviews with institutional investors and analysts over the course of the year, and for individual shareholders we invited them to watch Kubota Spears Funabashi TOKYO-BAY matches, experience first-hand agricultural harvests in Hanamaki in Iwate Prefecture, and attend winery tours.



Business briefing at the Art Paysan Winery

Relationships with Local Communities

Fundamental policy

Through dialogue with the local communities involved with our businesses, as well as the young people responsible for society's future, and the non-political and non-governmental organizations that are on the frontlines of society's fight with issues, we are working to resolve environmental and social problems, including through non-business-related activities. We also hope to tie our social contribution activities into the growth and happiness of all those involved, and we aim to both foster a culture of tackling issues and create the relationships that will deliver the future together.

Activities

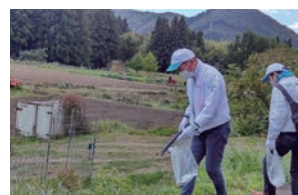
We work on activities that contribute to society by helping to solve non-business-related issues in the fields of food, water, and the environment (including urgent humanitarian aid); training the next generation; and through sports. In 2022, we carried out activities in 16 countries around the world, tailored to each region's issues and wishes.



Donation of Kubota products to tornado victims to assist recovery work (US)



Donation of medical support goods to hospitals (India)



Tree planting and cleanup activities in areas around river sources (Japan)



Market selling local produce for local consumption at our plant (Japan)

Relationship with Future Generations

To bring about a sustainable society, we must all learn from one another, across boundaries of generation or specialist field. Of our relationships with different parts of society, we believe our relationship with those who represent the future is a particularly important one. Therefore, in collaboration with educational institutions and other bodies, we are creating forums for learning. We conducted visiting lectures at a total of six junior high schools and ten high schools in 2022, which were attended by a total of 970 students.*

*Figures for activities conducted by Kubota Corporation (Unconsolidated)



Agriculture experience workshops
(Japan)



Technical work experience
(Germany)



Plant tours for local elementary school
children (France)



Visiting lectures for high school students
(Japan)

Social Contribution Activities through Sporting Events

Kubota Spears Funabashi TOKYO-BAY rugby union team

Based on the team's vision of being a "Proud Billboard," the Spears are striving to be a winning team beloved by fans, to spread rugby as a billboard of which stakeholders can be proud, and to use the sport to promote SDGs efforts.

SDGs Days

All of Kubota Spears Funabashi TOKYO-BAY's home games were run as SDGs Days. With the help of the Edogawa ward authorities and partner companies, the club ran 3Rs (Reduce, Reuse, & Recycle) activities (including separating waste, accepting clothing and toy donations, and running a food drive) and also spent time prior to the match picking up refuse from the area around the stadium. At the special SDGs matches, with the desire to deepen understanding through SDGs activities and to get people active in trying to achieve the SDGs, the players wore special SDGs shirts.



Players wearing special SDGs shirts

Kubota Spears volleyball team

The Kubota Spears volleyball team, which competes in the V.League, actively works on community contribution activities such as volleyball workshops, particularly in its hometown of Osaka. As a team that is well-loved, it strives to play a role in the local communities that live alongside it.

Osaka Sports Groove Support Day

With the aim of enlivening the city of Osaka through sports, we have worked with the city authorities, we have invited spectators to come and watch home games for free, become escort kids, take photos with players, and receive original merchandise.



Spectators on a support day

Social Initiatives

Human Rights Initiatives

We support the Universal Declaration of Human Rights and respect the human rights of all people, and we do not discriminate or violate human rights on the basis of nationality, race, age, gender, or disability, or for any other reason. We also request that business partners likewise refuse to permit forced labor or child labor. These policies are declared in the Kubota Group Charter for Action & Code of Conduct and are being put into practice. We are also making plans, and implementing them, to allow all employees to undergo human rights training each year, based on our human rights advancement activity policies.

Basic policies regarding human rights

The Kubota Group supports the Universal Declaration of Human Rights, respects the human rights of all people, and does not discriminate or violate human rights on the basis of nationality, race, age, gender, sexual orientation, gender identity or disability, or for any other reason.

The Kubota Group does not permit forced labor or child labor, and also requests that its business partners comply in this regard. These policies are declared in the Kubota Group Charter for Action & Code of Conduct and put into practice.

Kubota Group Code of Conduct (excerpts)

We support the Universal Declaration of Human Rights, and respect the human rights of all people.

We do not discriminate or violate human rights on the basis of nationality, race, age, gender, sexual orientation or gender identity*, disability, or for any other reason.

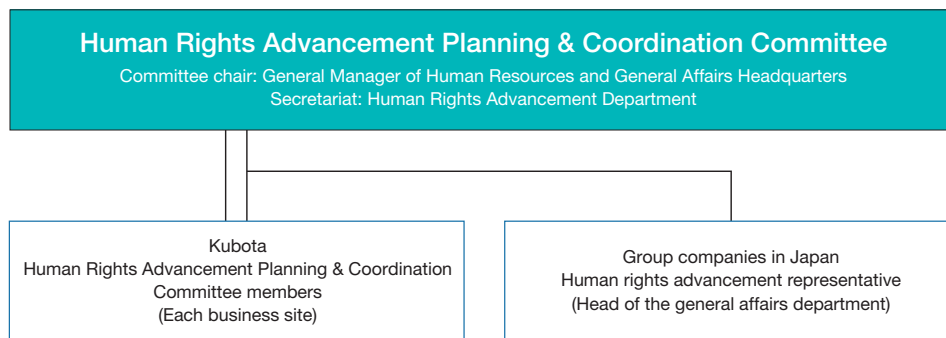
*The concept of how one perceives one's own gender.

We do not permit forced labor or child labor, and also request our business partners to comply in this regard.

Human Rights Advancement System

In Japan, Kubota has a Human Rights Advancement Planning & Coordination Committee headed by the General Manager of Human Resources and General Affairs Headquarters. Its members at each Kubota site are promoting activities based on the human rights advancement activity policies. At the beginning of each fiscal year, a meeting is held gathering the committee members of all sites.

Besides the committee members, a human rights advancement leader is appointed at each site, who leads the human rights advancement activities of the site.



Consultation Office System

As remedial action for victims of human rights violation, Kubota established the Kubota Hotline—a whistleblowing system that includes the use of outside lawyers—and consultation office systems at each of its bases, including those overseas, thereby enabling it to respond swiftly to any issues that may arise.

Number of cases reported on human rights issues (including harassment) in 2022: 63 (of which three were confirmed)



For more details on the Kubota Hotline whistleblowing system, please follow the link below.

www.kubota.com/sustainability/governance/system/index.html#hotline

Human rights education

Aiming to create a harassment-free, conducive workplace environment, Kubota plans and provides human rights education programs for all employees, including President and Directors, every year, based on the human rights advancement activity policies.

The human rights education programs include rank-based training for new employees and at each site. In addition, to ensure ease of access for participants, we continued to offer training via e-learning in 2022. All Kubota employees (in terms of the total number of participants) in Japan received human rights education through internal training or training offered by external organizations.

[Results of Internal Training in 2022]

	Internal training	External training	Total
Kubota	17,405 people	272 people	17,677 people
Group companies in Japan	10,880 people	86 people	10,966 people

● Major Education Themes

- Prevention of harassment
[Includes prevention of sexual harassment, abuse of authority (power harassment), mistreatment of employees with child-rearing or long-term family care responsibilities (maternity harassment, care harassment) and bullying or indirect disadvantaging of sexual minorities (LGBTQ*¹, SOGI*², etc.)]
- Training for superiors in responding to reports of harassment and promoting two-way communication
- Social discrimination (Dowa) (such as online discrimination toward minority groups (e.g., Buraku), etc.)
- Issues facing the disabled (Act to Advance the Elimination of Discrimination against the Disabled, the disabled employment ratio, etc.)
- Issues facing foreign residents in Japan (racial harassment, etc.)
- UK Modern Slavery Act
- The supply chain and human rights (SDGs)
- Results of surveys on KESG awareness
- Revision of the employment regulations, etc. associated with the revision of the Equal Employment Opportunities Act and the Child Care and Family Care Leave Act

*1 Acronym of lesbian, gay, bisexual, transgender, queer/questioning

*2 SO (sexual orientation), GI (gender identity)



Human Rights Training for Management Executives (Dec. 27, 2022)
(Theme: My Response to the Reality of Discrimination—Marking the Centenary of the Foundation of the National Levelers Association with Some Thoughts on Its Spirit and Associated Corporate Initiatives)
(Lecturer: Norio Takahashi, Secretary, Nagano Human Rights Center)

Respecting human rights throughout the supply chain

Kubota declares in the Kubota Group Charter for Action, “we do not permit forced labor or child labor, and also request our business partners to comply in this regard.”

Also, in its CSR Procurement Guidelines, Kubota declares that it does not permit forced labor or child labor, and also requests that its suppliers comply in this regard. The Guidelines also clearly prohibit the use of conflict minerals*, which are a source of funds for armed insurgents.

In May 2017, the Kubota Group released its Group statement with regard to the UK Modern Slavery Act, and has updated its statement each year, which can be seen on our website.

For employees in Japan, explanation is provided during their human rights education programs. At overseas Group companies, the business site heads of each company provide explanation to the employees.



Click here for details.

www.kubota.co.jp/sustainability/society/procure/data/csrprocure.pdf

*Tantalum, tin, tungsten and gold and their derivatives, produced in the Democratic Republic of the Congo and its neighboring countries, which constitute a source of funds for armed insurgents, who have repeatedly committed inhumane acts in these countries.

Response to Asbestos Issues

Kubota takes very seriously the fact that some residents living in proximity of the former Kanzaki Plant and employees working at the plant have developed asbestos-related diseases. From the perspective of fulfilling our social responsibility as a company that previously handled asbestos, we will continue to address this issue with the utmost sincerity.



Click here for details.

www.kubota.co.jp/related/

Chapter

05 Foundation of Value Creation

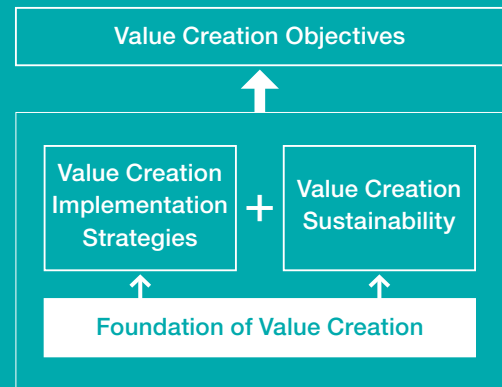
Overview

To raise our corporate value, it is imperative that we have effective corporate governance. We will place emphasis on external perspectives and engagement with stakeholders, and work each and every day to raise the quality of our corporate governance, compliance, and risk management as we strive to build sound business operations.



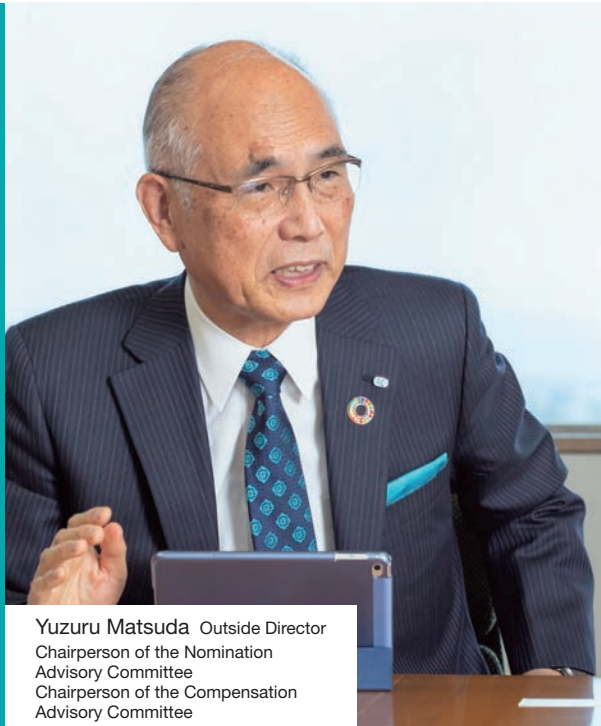
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Outside Directors Converse with an Institutional Investor

Special
Feature
3



Yuzuru Matsuda Outside Director
Chairperson of the Nomination
Advisory Committee
Chairperson of the Compensation
Advisory Committee



Koichi Ina Outside Director
Member of the Nomination
Advisory Committee
Member of the Compensation
Advisory Committee

Our Long-Term Vision “GMB2030” and Toward Further Value Enhancement

The Kubota Group is constantly working on governance reform in pursuit of the best possible corporate governance. We believe the role of outside director is critical in enhancing corporate governance. With the aim of further increasing the effectiveness of governance with reference to the opinions of the capital market, our four outside directors held a dialogue with Mr. Masanaga Kono, from the Marathon London Tokyo Office. (Discussion held in February 2023)

Evaluation and Expectations in the Long-Term Vision “GMB2030”

Kono: I understand that outside directors are in a position to represent the interests of a variety of stakeholders, not just shareholders, but also employees and other individuals, and to oversee corporate management. As the skills of directors are currently disclosed, we have gained a certain degree of understanding of their expertise and knowledge. I still feel, however, that opportunities are limited in terms of asking their views regarding stakeholder interests. Marathon Asset Management makes long-term investments based on the belief that they can provide excess returns to asset owners by entrusting capital to companies for which a superior business model can be created and profit growth is expected. I believe the most important

thing when entrusting capital over a long term is trust in governance.

Kubota is executing its business strategy to achieve its Long-Term Vision “GMB2030.” Please tell me your evaluation of this long-term vision and what you are watching closely in monitoring its progress.

Matsuda: We have been able to clearly present an ideal vision for Kubota, and I think the sense of unity we have achieved by sharing the vision with our employees and other stakeholders is very meaningful. Financial and non-financial indicators that are essential for monitoring progress are also being incorporated into the materiality indicators in the Mid-Term Business Plan 2025 and



Yutaro Shintaku Outside Director
Member of the Nomination
Advisory Committee
Member of the Compensation
Advisory Committee



Kumi Arakane Outside Director
Member of the Nomination
Advisory Committee
Member of the Compensation
Advisory Committee



Mr. Masanaga Kono
Japan Research Representative
Marathon Asset Management
Limited, an asset management
firm of the UK

K-ESG management. To keep pace with drastic changes anticipated over the next 10 years, the vision will need to be flexibly revised. At the same time, it is very important to remain tenaciously committed to achieving the vision. In corporate management, more challenges accompany when implementing plans and strategies than formulating them. As chairperson of the Compensation Advisory Committee, I want to continue to provide support, including reviewing performance assessment methods and the compensation system, to ensure that incentives are given appropriately toward attainment of the vision.

Ina: In “GMB2030,” we greatly appreciate clear positioning of providing solutions related to agricultural management as our new business model, not producing and selling hardware such as agricultural machinery. Amid unprecedented changes, it is undeniable that agriculture that will no longer require farm machinery may emerge. In the provision of solutions rather than hardware, the competitive environment will change dramatically and new entrants from other industries, such as IT-related companies, are likely to increase. With that being said, Kubota has a deep understanding of agriculture and the environment, including farmers in every part of the world and land characteristics, and is building databases with the latest information. Contributing to the development of agricultural management by making full use of the latest land-specific technology and data will guarantee Kubota’s prosperity.

Kono: What kind of discussions are going on about necessary and sufficient capital and the human resources needed to achieve your vision?



Institutional Investor

Masanaga Kono

Japan Research Representative, Marathon London Tokyo Office

The Marathon London Tokyo Office was established in 2016 as the representative Japanese office of Marathon Asset Management Limited, a UK firm specializing in active equity management. Based on the concept of “Capital Cycle,” its investment philosophy, Marathon is dedicated to making long-term investments focused on supply-side factors such as cycles of investment capital and competitive environments. The Tokyo Office is responsible for research on Japanese investee companies and engagement activities, as well as internal recommendations on exercising voting rights.

Shintaku: Kubota began its history with the manufacture of cast iron pipes, and throughout the course of changing its line of business and products, Kubota has been committed to solving social issues unique to each era. I believe Kubota's greatest strength lies in its track record of opening up markets by flexibly allocating resources to areas where they are needed by society and where commercial opportunities can be found. With "GMB2030" clearly defining business domains of food, water, and the environment, where many social issues exist, we are taking on the challenge of transforming our business model into one centering around solutions for these issues. As to how much capital and human resources are needed in the process, we will think flexibly as we move forward. Personally, in the process of achieving our long-term goal, I think an appropriate level of ambiguity will be necessary to accommodate all possible scenarios.

Ina: In achieving "GMB2030," Kubota has core areas to nurture on our own, while other areas should be outsourced without adhering to the principle of self-sufficiency. With regard to outsourcing, we are actively implementing M&A. In the areas to address on our own, we are strengthening employee training and R&D, which requires new capital investment.

Kono: I feel that an ambiguous attitude toward stakeholders is one of the characteristics of many Japanese companies. Although shareholders are the owners of a company, a company exists for the benefit of diverse stakeholders. Employees entrust their lives to the company, and shareholders entrust their capital. If the capital size and human resource portfolio required for a business model transformation are concretely presented, and if employees and shareholders can better understand how the benefits of the transformation will be distributed, they will be more motivated to entrust their lives and capital over longer periods of time.

Capital Utilization and Enhancement to Realize "GMB2030"

Kono: Going forward, the selection and concentration of businesses will advance toward the establishment of Kubota's total solutions, generating surplus capital in that process. Given that it is extremely rare for shareholders to be convinced of the benefit of using their entrusted capital in cross-shareholdings, I expect you to reduce cross-shareholdings to as great a degree as possible and divert funds to strategic investments and return to stakeholders.

Shintaku: When I was in the position of manager, I was strongly opposed to having excess cash and cross-shareholdings. When surplus funds were accumulated in overseas subsidiaries, they were collected by the head office and invested intensively in growth fields under consolidated management. This method, however, should not be implemented by the head office with an iron hand; the basic idea is that even when there isn't cash on hand, sufficient funds can be provided when necessary, creating a sense of security within the Group. Preparing for

the occurrence of a financial or economic crisis is also necessary, and we need a certain amount of capital buffer, in addition to normal working capital. Personally, however, I don't think it's necessary to haphazardly keep excess cash on hand for emergencies. I feel that this is well understood at Kubota.

Arakane: We are steadily reducing cross-shareholdings, and executive officers do not strongly insist on the need to continue holding these shares. I am sure that reductions will continue in order of priority and funds will be diverted to investment in the growth field.

Kono: When discussing cross-shareholdings with companies,



we are often asked to what percentage they should reduce the ratio to shareholders' equity. I would advise you to decide based on whether it is a strategic holding that is truly necessary for the continuity and development of the business, rather than a numerical standard maintained for formality. Numerical standards for gender diversity have also taken on a life of their own. Many companies think that they must increase the percentage of women in managerial positions, but substantial discussions do not seem to have progressed on what level of gender diversity is needed and for what purpose. What kind of human

resource portfolio is needed to achieve "GMB2030"?

Arakane: Ensuring diversity is a means to achieve growth, not an end. For growth, ensuring diversity is important, not just in gender but also in skills and expertise. By bringing IT-related subsidiaries into the head office, we are reinforcing DX human resources and integrating water and environment-related subsidiaries, thereby raising the level of our human resource portfolio. Meanwhile, the improvement of interdivisional mobility is still in progress. When creating a diverse team indispensable for innovation, we must remove interdivisional barriers and promote personnel exchange and transfer within the Group. In order to realize the solutions set out in "GMB2030," it is essential to review the current divisional structure. We are examining how to connect human resources and technologies pooled in the Innovation Center and Research and Development Headquarters to achieve leaps in solution capabilities.

Shintaku: Mobilizing internal human resources is necessary to ensure diversity, but simply transferring personnel from a department with excess staff to another in need does not necessarily mean that all the transferred personnel will be able to demonstrate their abilities with a sense of happiness, does it? Innovation means the creation of economic value through new knowledge and wisdom, so I recommend Kubota to be more proactive in hiring people who can propel transformation both in Japan and overseas. At the same time, translating R&D results into innovation requires a scale of complementary assets such as manufacturing capacity and customer base. For scale expansion, we need to further accelerate our global business operations.



Matsuda: As Kubota accelerates its global operation, it's an undeniable fact that acquiring human resources at overseas sites is becoming increasingly difficult. I think one reason for this is that we have not been able to offer an attractive compensation package, but we also need to continue to make efforts to gain empathy with Kubota's position in society. By sharing our ideal role in "GMB2030" with employees around the world, which is becoming an "Essentials Innovator for Supporting Life," committed to a prosperous society and cycle of nature," we can expect to boost empathy and better retain human resources. And by instilling Kubota's philosophy in stakeholders, we can attract like-minded and talented people.

Kono: Competition for securing human resources is intensifying worldwide, and I'm afraid that Japanese companies are losing out at the forefronts of recruitment races. Theoretically, when ROE (return on equity) exceeds DOE (dividend on equity), there will be more dividends paid to stakeholders who are not shareholders and more cash reserves to be allocated for investment. Improving ROE is necessary not only for the benefit of shareholders, but also to increase the capacity for investment in human resources. Some Japanese companies are doing well, as their "action before words" approach turned out to be effective. But in my opinion, the trust of employees and shareholders will be even greater if companies can articulate their use of capital and their dividend policy to stakeholders and act on their words. I think it would be good for a company to announce clearly in advance that when profits are expected to exceed estimates, it will return them accordingly, as well as the logic behind this, to its shareholders and employees.

Expected Role in Value Enhancement

Kono: As the skills of directors are disclosed, how are you using your skills to enhance Kubota's corporate value? Are you focusing on any particular themes or areas?



Ina: Drawing on my years of experience overseeing production sites at an automobile manufacturer, I pay attention to whether people on the front lines of production are doing their jobs with hope for the future. Production sites can never be free from issues, and I want to contribute to revitalizing production sites, including the creation of good working environments. I inspect Kubota's plants while keeping in mind whether a training plan has been properly formulated to achieve Kubota's ideals, how the people at the production sites feel about support for skill development, and what they think about their senses of reward and accomplishment. During busy periods, being pressed by production day after day, we can easily lose sight of what needs to be done for the future. I also keep an eye on whether the plants have the capacity to create new value in Kubota's core technologies, the source of its competitive advantage.

Matsuda: I have a great deal of experience in corporate management and governance, and I see a robust relationship of trust between Kubota's executive officers and supervisory board members.

To achieve One Kubota and total solutions as indicated in "GMB2030," the entire board of directors needs to have in-depth discussions on how we will specifically complete the

transformation as well as on the capital policy and human resource strategy required for the transformation. They also have to share the output of these discussions. I believe it is my responsibility to back up and monitor this process.

Arakane: The "GMB2030" was the result of a series of discussions led by mid-career employees who will bear the future of Kubota, and the ideal roles of Kubota and its sense of mission were widely shared by employees. On the other hand, innovation is crucial in the process of business model transformation, but I also feel that it is difficult to create innovation in a highly homogeneous corporate culture with meticulous management and discipline. In the cosmetics industry, where I built my career, the market and customer needs change rapidly. This required us to replace conventional approaches with fresh ideas as needed in an agile manner.

President Kitao is creating an open corporate culture and moving forward with concrete measures, including a personnel system. From here on, it is essential to create innovation through changes in the behavior of each and every employee. This theme overlaps with tasks related to diversity, so I want to continue to facilitate changes in the corporate culture.





Shintaku: My experience in corporate management will help us to achieve sustainable growth leveraged by globalization and M&A. We cannot promote globalization or M&A without facing personnel or organizational issues. Increased employment of foreign nationals sometimes raises a concern that opportunities for Japanese employees to play an active role in the company may be reduced. But we can find a way out of such a difficulty if Japanese and non-Japanese employees work together to cope with it. Kubota is highly likely to face a situation like this in the near future, and I hope to contribute to solving issues like these. Kubota's ongoing bold acquisition of an Indian company strikes me as energetic and full of spirit, not flinching from difficulties, so I am watching the progress with a sense of security.

Kono: I fully understand your awareness of the issues, your pride, and roles you are expected to play. Today's dialogue was a quite valuable opportunity for me to learn about each of your perspectives.

The low PBR of listed Japanese companies is sometimes pointed out, and one of the reasons for this may be the lack of clear answers to the question of how much capital will be sufficient for business operations. Although sales and profit targets are presented in medium-term management plan and other documents, in many cases explanation is not given or not

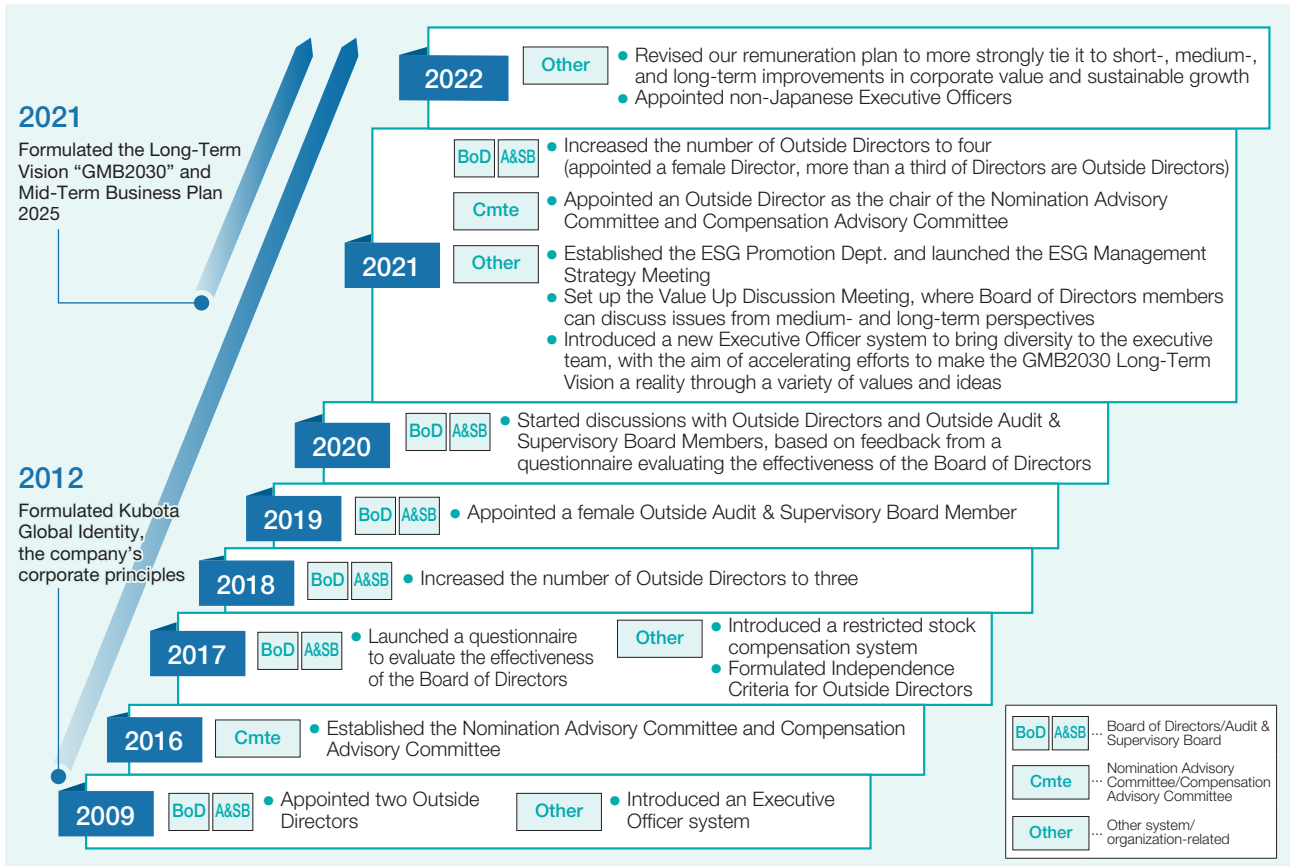
sufficient as to the degree of required capital or the logic for reinvestment and distribution of excess cash flow when it arises. I understand that it is difficult for even Kubota to provide concrete figures in a complex business environment with many uncertain factors. Even so, if its approach to distribution and return based on multiple assumptions and scenarios is presented in a way that investors can have better understanding, Kubota will be able to have deeper dialogues with its investors. I look forward to vibrant discussions at the board meeting.

Governance

Basic Policy of Corporate Governance

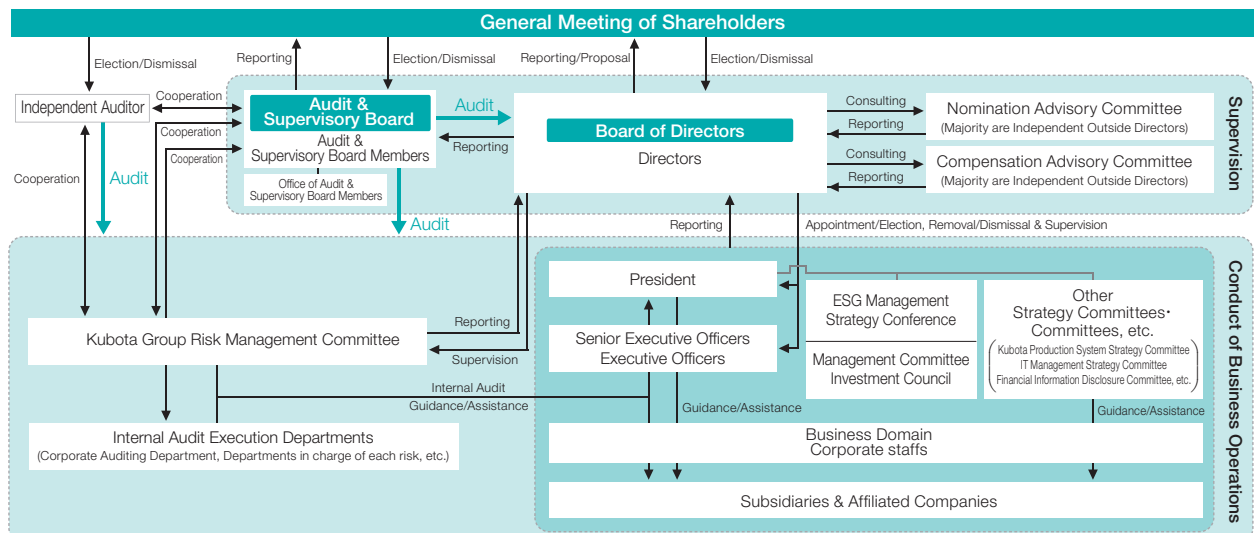
The Company has designated “long-term and stable growth of corporate value” as its highest management priority. To realize this aim, the Company considers enhancement of the satisfaction of all the Company’s stakeholders and improvement of overall corporate value, while balancing economic value and social value, to be important. Especially, in order to realize the long-term objectives of building “Global Major Brand Kubota” on the basis of its corporate philosophy “Kubota Global Identity,” the Company must be an enterprise that is trusted not just in Japan but also worldwide. In order to enhance the soundness, efficiency, and transparency of business management, which are essential to earn trust, the Company is striving to strengthen its corporate governance.

How we strengthen corporate governance



Corporate Governance System

Corporate Governance Structures (as of January 1, 2023)



Board of Directors

The Board of Directors makes strategic decisions and oversees the execution of duties by the Executive Officers. In addition to its regular monthly board meetings, it also meets as and when required to discuss and make decisions relating to management planning, financial planning, investment, business restructuring, and other important management issues.

Audit & Supervisory Board

Kubota has the Audit & Supervisory Board independently, which oversees and audits the execution of duties by the Directors. In addition to its regular monthly Audit & Supervisory Board Meetings, it also meets as and when required to discuss and make decisions on auditing policy, audit reports, and other matters.

Nomination Advisory Committee and Compensation Advisory Committee

The Company has a voluntary Nomination Advisory Committee and Compensation Advisory Committee in place as the advisory bodies of the Board of Directors. To incorporate an independent and objective standpoint, Outside Directors account for more than half of constituent members of both committees, and an Independent Outside Director serves as chairperson of the committees.

Nomination Advisory Committee

The Nomination Advisory Committee met three times during the fiscal year for the purpose of deliberating the nomination of candidates for Director and the nomination of Advisors. The committee is also looking at the composition and diversity of the Board of Directors using the skills matrix.

Starting in fiscal 2022, the committee added matters related to electing as well as dismissing a president along with succession planning to its agenda once again and actively discusses the qualities and abilities required of the Company's top management in addition to training methods.

Activity Report of the Nomination Advisory Committee (Period: January 1, 2022 – December 31, 2022)

1	March 15, 2022	Discussion on efforts to build a fair and transparent governance system and deliberation on the evaluation sheet of the President at the time of setting the 2022 targets.
2	September 21, 2022	Deliberation on the succession plan of the President and requirements for presidential candidates, and progress report on the evaluation sheet of the President.
3	October 25, 2022	Deliberation on candidates for the Board of Directors and Advisors.

Compensation Advisory Committee

The Compensation Advisory Committee met seven times during the fiscal year for the purpose of discussing both the consistency of levels of compensation paid to the Directors, Executive Officers, and Advisors, and the adequacy of the compensation system.

Under the current compensation system, the committee set competitive remuneration levels appropriate for a GMB, and introduced an evaluation system that is strongly linked to growth over the short, medium and long term in order to realize the Company's Long-Term Vision as set forth in "GMB2030."

Activity Report of the Compensation Advisory Committee (Period: January 1, 2022 – December 31, 2022)

1	February 3, 2022	Deliberation on setting targets for each evaluation indicator for the year 2022.
2	February 24, 2022	Deliberation on setting targets for each evaluation indicator for the year 2022.
3	June 7, 2022	Reporting activities concerning K-ESG evaluation indicators for the first half of the year and deliberation on setting targets for the second half.
4	July 6, 2022	Reporting activities concerning K-ESG evaluation indicators for the first half of the year and deliberation on setting targets for the second half.
5	October 28, 2022	Reverification of the current remuneration plan and deliberation on setting remuneration levels for the year 2023.
6	November 30, 2022	Deliberation on the policy for determination of remuneration for the Directors and the remuneration amount for the year 2023.
7	December 14, 2022	Reporting activities concerning K-ESG evaluation indicators for the second half of the year and deliberation on its evaluation.

ESG Management Strategy Meeting, Management Committee and Investment Council

The Company has established the ESG Management Strategy Meeting, the Management Committee and the Investment Council to make decisions and deliberate on specific important issues. The ESG Management Strategy Meeting formulates policies and evaluates major measures for the realization of the Long-Term Vision of the Company, GMB2030, and the creation of medium- to long-term corporate value. The Management Committee deliberates and make decisions on important management issues, such as investments and loans, in accordance with the Mid-Term Business Plan 2025. Of the management issues deliberated by the Management Committee, important issues are reported to the Board of Directors. The Investment Council serves as an advisory body to the President on issues that require authorization of the President and certain special issues, excluding items discussed by the Management Committee.

Governance

Composition of the Board of Directors and the Audit & Supervisory Board

The Company configures its Board of Directors from the perspectives of maintaining the number of members appropriate for ensuring effective discussions at the meetings of the Board of Directors, manifesting its function as a board of directors and ensuring its diversity and maintaining soundness and transparency in management. The Company also considers that the Board of Directors requires skills in areas such as Kubota Production System (KPS), global management, innovation, digital transformation (DX), and ESG management as the business foundations to be strengthened in order to realize Long-Term Vision “GMB2030.” It is important for members of the Board of Directors to complement each other by using their knowledge, experience, and skills, based on diverse values. Shown below is how skills required to realize the Company’s Long-Term Vision “GMB2030” correspond to their specialties and experience.



Long-Term Vision “GMB2030”

www.kubota.com/corporate/vision/

Skills Matrix

	Name	Position	Outside	Areas of expectation / Specialization						Experience in corporate management	Attendance at the Meetings of the Board of Directors	Attendance at the Meetings of the Audit & Supervisory Board	Tenure as Director or Audit & Supervisory Board Member	
				Priority items related to Long-Term Vision “GMB2030”					Fundamental items for management					
				KPS (Manufacturing)/ Quality control	Global Management	Innovations/ R&D/DX	E Resolution of environmental issues	S Contributing to society/Empathy and participation of stakeholders	G Building Governance					Finance/ Accounting
Board of Directors	Yuichi Kitao	President and Representative Director			●	●		●		●	100% (12 of 12)	—	8 years and 9 months	
	Masato Yoshikawa	Representative Director and Executive Vice President			●				●	●	100% (12 of 12)	—	6 years	
	Dai Watanabe	Director and Executive Vice President			●	●	●				100% (12 of 12)	—	4 years	
	Hiroto Kimura	Director and Senior Managing Executive Officer		●		●	●				100% (10 of 10)	—	1 year	
	Eiji Yoshioka	Director and Senior Managing Executive Officer		●	●		●				—	—	—	
	Shingo Hanada	Director and Managing Executive Officer			●		●	●			—	—	—	
	Yuzuru Matsuda	Director	●		●	●			●		●	100% (12 of 12)	—	8 years and 9 months
	Koichi Ina	Director	●	●	●		●				●	100% (12 of 12)	—	7 years and 9 months
	Yutaro Shintaku	Director	●		●			●		●	●	100% (12 of 12)	—	5 years
	Kumi Arakane	Director	●	●		●		●				100% (12 of 12)	—	2 years
Koichi Kawana	Director	●		●			●	●		●	—	—	—	
Audit & Supervisory Board	Toshikazu Fukuyama	Audit & Supervisory Board Member (Full-time)							●	●	●	100% (12 of 12)	100% (17 of 17)	8 years and 9 months
	Yasuhiko Hiyama	Audit & Supervisory Board Member (Full-time)		●						●	●	92% (11 of 12)	100% (17 of 17)	5 years
	Masashi Tsunematsu	Audit & Supervisory Board Member (Full-time)				●				●	●	100% (10 of 10)	100% (14 of 14)	1 year
	Yuichi Yamada	Audit & Supervisory Board Member	●						●	●	●	100% (12 of 12)	100% (17 of 17)	3 years
	Yuri Furusawa	Audit & Supervisory Board Member	●					●	●	●		92% (11 of 12)	100% (17 of 17)	2 years
	Keijiro Kimura	Audit & Supervisory Board Member	●	●					●	●		100% (10 of 10)	100% (14 of 14)	1 year

Notes) 1. Experience in corporate management among the items of the list above refers to experience as president at listed companies.
 2. In the list above, up to three of the major skills expected of each member of the Board of Directors based on their experience are marked ●. These skills do not represent the entirety of the knowledge possessed by each member.
 3. The attendance of the Meetings of the Board of Directors and the Audit & Supervisory Board held during fiscal 2022.
 4. Executive Officers in charge of the relevant fields attend the meetings of the Board of Directors, depending on the agenda, to provide explanations on those agendas in order to improve the effectiveness of the Board.

Reasons for Appointment of Outside Directors and Outside Audit & Supervisory Board Members and Expected Roles

Outside Directors

Name	Reasons for appointment and expected roles
Yuzuru Matsuda	As the person responsible for medical research at Kyowa Hakko Kogyo Co., Ltd., Mr. Matsuda worked on organizational reforms to a research system, and after becoming president there he oversaw a management merger with Kirin Pharma Company. Even after the merger, as president of the new company, Kyowa Hakko Kirin, he demonstrated firm leadership in directing employees from both of the merged companies. He has extensive experience in management and a wide range of expertise. Moreover, he actively offers advice of Kubota's overall management from a broader perspective. He has also contributed to the improvement of effectiveness in his role as chair of both the Nomination Advisory Committee and Compensation Advisory Committee. As such, he is judged to be a continuing benefit to Kubota's sustainable growth and to enhancing its corporate value.
Koichi Ina	With a career that has involved various positions in charge of factories or manufacturing for Toyota Motor Corporation, Mr. Ina has striven toward the development of production technologies as well as manufacturing site processes and personnel training. After his time at Toyota, he was appointed president at Daihatsu Motor Co., Ltd. He has extensive experience as a leader in the light vehicle industry, in areas such as constructing global development and production systems, and a wide range of expertise. Moreover, he actively offers advice, particularly from a manufacturing perspective. As such, he is judged to be a continuing benefit to Kubota's sustainable growth and to enhancing its corporate value.
Yutaro Shintaku	During his time as president of Terumo Corporation, Mr. Shintaku took a number of measures to ensure the Company could overcome intense international competition, including global expansion, M&As, and restructuring of the Company's business portfolio. He has a high degree of skill and an impressive track record as a manager able to read trends. Moreover, he actively offers advice, particularly from his knowledge of capital policies. As such, he is judged to be a continuing benefit to Kubota's sustainable growth and to enhancing its corporate value.
Kumi Arakane	After being appointed as a researcher to work on fundamental cosmetics research at KOSÉ Corporation, Ms. Arakane's career has covered assignments in charge of a wide range of fields, including product development, R&D, quality assurance, and purchasing. She has experience in being involved in management as a director and also possesses knowledge relating to auditing the execution of duties as a full-time auditor. Moreover, she actively offers advice from varied perspectives. As such, she is judged to be a continuing benefit to Kubota's sustainable growth and to enhancing its corporate value.
Koichi Kawana	Mr. Kawana's career has involved responsibility for a business site outside Japan for JGC Holdings Corporation, and he is well-versed in international business. In 2011, he was appointed as president there, and led megaprojects inside and outside Japan and business investment in infrastructure fields. He possesses extensive expertise and experience in management. In view of his deep insight, he is judged to be contributing to Kubota's sustainable growth and to enhancing its corporate value, as well as to the strengthening of the supervisory function of the Board of Directors.

Outside Audit & Supervisory Board Members

Name	Reasons for appointment and expected roles
Yuichi Yamada	Mr. Yamada has considerable knowledge relating to accounting and financial matters as a certified public accountant. He has gained extensive experience and a record of accomplishments in corporate auditing while serving at a major audit firm, and possesses extensive expertise on auditing in general, such as through working as an outside audit & supervisory board member for other companies. Therefore, despite not having been directly involved in corporate management, the Company judged that he can contribute to further enhancing its auditing processes through his expert viewpoints and from an independent standpoint.
Yuri Furusawa	Ms. Furusawa has experience in Japan and overseas in various roles working for central governmental agencies and possesses a broad perspective and extensive knowledge. Furthermore, she gained global experience through being involved in overseas business development at a company, and she was involved in reforming work styles and promoting the empowerment of women and diversity at the center of the government. Therefore, despite not having been directly involved in corporate management, the Company judged that she can contribute to further enhancing its auditing processes with her wide range of experience, through her expert viewpoints and from an independent standpoint.
Keiji Kimura	Mr. Kimura possesses a wealth of knowledge in legal affairs. He also has an extensive record of practice in corporate legal affairs at law offices and considerable experience and knowledge acquired by assuming office as an outside auditor for several companies. Therefore, despite not having been directly involved in corporate management, the Company judged that he can contribute to further enhancing its auditing processes with his wide range of experience, through his expert viewpoints and from an independent standpoint.

Governance

Evaluation of the Board of Directors' Effectiveness

In fiscal 2022, with the aim of making the Board of Directors fairer and more transparent, Kubota had a third party conduct the evaluation.

1. Evaluation method (November 2022 to March 2023)

(1) Effectiveness evaluation questionnaire

The questionnaire, based on questions compiled by the third-party organization, was given to all Directors and Audit & Supervisory Board Members (16 people).

(2) Interviews

Based on the results of the questionnaire, the third-party organization conducted individual interviews with directors and a group interview with the six Audit & Supervisory Board Members.

(3) Reporting to, and discussion at, Board of Directors meetings ①

The third-party organization reported their evaluation findings from steps (1) and (2) to the Board of Directors, and discussions were held about any issues identified and future initiatives.

(4) Reporting to, and discussion at, Board of Directors meetings ②

The chairman of the Board of Directors reported on action plans for fiscal 2023, and discussions were held.

2. Results of the evaluation

Through this evaluation, the third-party organization determined that the Board of Directors demonstrated sufficient decision-making and supervisory functions, and that it was acting effectively. Its findings are detailed below:

▶ We find that the Board of Directors has been successful in its continuous efforts to demonstrate supervisory functions uniquely suited to Kubota and that it adequately supports business execution.

Structure:

- The direction of raising corporate value with a focus on K-ESG management is clearly shared among the directors.
- The outside directors have a high degree of specialism and a wide range of knowledge, and their new perspectives or things they have noticed about business execution result in animated questions and observations.
- The active contributions by the Audit & Supervisory Board Members, who are well-versed in business and organizational cultures, are helping to improve the board's supervisory functions.
- The Board of Directors has the foundations it needs for constructive dialogue, namely knowledge, experience, and a mutual respect among its members for their individual contributions of those who attend.

Operations:

- The workplace-focused agenda of the Board of Directors that benefits Kubota.
- Facilitation by the chairman spurs lively discussion and this contributes to the quality of that discussion.

▶ Measures in fiscal 2022 to address issues identified by the effectiveness evaluation conducted in fiscal 2021 have further raised the board's effectiveness.

Main issues in FY2021	Initiatives in FY2022
Enhancing discussions from medium- and long-term perspectives	The Value Up Discussion Meeting (VUDM) provided opportunities to discuss management issues at a company-wide level from medium- and long-term perspectives.
Strengthening monitoring of important agenda items	Every six months, a list of items that require a follow-up was shared with the Board of Directors, and efforts were made to convey progress visually.
Constructing a risk management system to cover the entire Kubota Group	In January 2023, after repeated discussions at the VUDM and by the Board of Directors about the Kubota Group's risk management, it was decided to launch the Kubota Group Risk Management Committee. The committee's role is to carry out periodic evaluations of the risk environment surrounding the Company, and to promote countermeasures to address risks that have the potential of seriously impacting business.

3. FY2022 issues and future action plans

Main issues	Action plans
Deepening discussions into medium- and long-term growth strategies	Identify themes related to medium- and long-term growth strategies that require a priority response, investigate optimum timings for monitoring those themes from a supervisory perspective, and review the agendas at the Board of Directors and VUDM.
Strengthening the functions of the Nomination Advisory Committee	Have the Nomination Advisory Committee investigate potential directions for creating an arrangement for a succession plan to bring in the next generation of executives.
Formulating a system for board succession to support a high degree of effectiveness	Create a system to continuously investigate the state of the Board of Directors, and establish a forum to discuss an ideal form tailored to Kubota's needs, with a focus on the roles and functions of the Board of Directors required to accelerate efforts to realize Long-Term Vision "GMB2030."

Value Up Discussion Meetings

The Company regularly holds Value Up Discussion Meetings to provide members of the Board with opportunities to discuss topics bringing about sustainable growth and increasing corporate value. The purpose of the meeting is to exchange opinions and share information, and the contents of discussions are communicated to the executive as necessary.

Past Contents of Deliberation

Timing and Theme of Meeting	Key Topics of Deliberation
July 2021 "Carbon Neutrality"	Response toward promoting carbon neutrality, initiatives for greenhouse gas emissions reductions and negative emission
October 2021 "K-ESG Management"	K-ESG management approach, Materiality of K-ESG management
January 2022 "Constructive Dialogue with Stakeholders"	Realization of growth strategy and views on accountability, approach to pursuing IR and SR activities for institutional investors and individual investors
April 2022 "Looking Back on VUDM and its Future"	Purpose and vision of VUDM, operation method, and selection of themes to address
October 2022 "Group Risk Management"	Risk identification process and company-wide risk control system

President Evaluation and Training a Successor

Evaluating the president

Evaluation of the president is carried out by the Compensation Advisory Committee under advice from the Board of Directors. The evaluation process is not just document-based, the president also meets the Compensation Advisory Committee, more than half of whose members are outside directors. As well as reporting on his achievements over the year, the president is evaluated based on two-way dialogue.

The financial indicators used to evaluate the president are consolidated net sales, consolidated operating margin, and ROIC. Non-financial indicators are progress of the Long-Term Vision and Mid-Term Business Plan, training situation for the president successor candidates, and K-ESG promotion-related efforts.

The content and results of deliberations by the Compensation Advisory Committee about the president's evaluation are reported to the Board of Directors for their determination.

Training a successor (succession planning)

In fiscal 2022, president succession planning was once again added to the discussion agenda of the Nomination Advisory Committee, more than half of whose members are outside directors, and this subject is being actively deliberated.

For Kubota to be a Global Major Brand (GMB), candidates to take over as the next president require certain traits (capabilities, attributes, etc.). As well as clarifying these, we are working to identify president successor candidates.

Moreover, Kubota holds multiple annual executive forums related to ESG, human rights, health and safety, the environment, quality, public relations, legal affairs, DX, compliance, etc. With the aim of acquiring and updating knowledge about our rapidly changing external environment, we invite external lecturers and we are continuing to hold these lectures, including using online streaming.

Training potential successor candidates

Executive Officers are potential president successor candidates. For individuals in these positions, the Executive Officers' Meeting is held once a month, where the Board of Directors' policies and resolutions are instructed or communicated. Furthermore, as part of the training of Executive Officers, we provide opportunities to study areas outside company-wide topics and entrusted domains. To do so, Executive Officers take part in subcommittees that are separate to the Executive Officers' Meeting, where they split into smaller groups to hold lively discussions about priority management issues.

Evaluation of potential president successor candidates

Evaluation of the Executive Officers that are potential president successor candidates is decided by the Board of Directors, after discussion by the Compensation Advisory Committee about evaluation content, including the results of individual interviews with the president. These candidates are evaluated based on the same financial indicators as are used to evaluate the president. Non-financial indicators are progress toward the Long-Term Vision and Mid-Term Business Plan, training situation for the president successor candidates, and K-ESG promotion-related efforts.

Remuneration for the Directors and Audit & Supervisory Board Members

Currently, Kubota is committed to shifting to business operations with ESG positioned at the core of management in line with the Long-Term Vision "GMB2030," with the aim of further strengthening the supervisory function of the Board of Directors. Following is the policy for determination of remuneration, etc. and its calculation method for the Directors and Executive Officers.

Basic policy for determination of remuneration, etc. for the Directors

- a) The purpose of the remuneration is to encourage the Directors, excluding Outside Directors, to take the lead for sustainable growth while fulfilling social responsibilities as a company aiming to become a GMB.
- Motivate the Directors to achieve performance targets by reflecting in their remuneration quantitative and objective evaluation results based on financial performance indicators.
 - Accelerate K-ESG management initiatives by reflecting evaluation results of the progress of the K-ESG in remuneration of the Directors.
 - Encourage the Directors to hold shares of Kubota Corporation during their tenure and make them strongly aware of the need to sustainably improve corporate value through a remuneration system that is closely linked to shareholder value.

- Set the levels of remuneration and performance linkage so that the Directors may receive remuneration that is equivalent to or greater than the standard remuneration at other GMB companies defined by Kubota Corporation, in line with the achievement of the performance targets and K-ESG, and improvement of corporate value.
- b) To achieve the purpose of the remuneration, transparency and objectivity must be ensured in the administration of the remuneration plan.
- Decisions on the development and administration of remuneration policies shall be reviewed by the Compensation Advisory Committee, where a majority of members are Outside Directors, before being determined by the Board of Directors' resolution.
 - In order to fulfill accountability for shareholders precisely, disclosure shall be made not limited to the scope required by laws and regulations, but also to facilitate shareholders' understanding and dialogue with them.

Governance

Remuneration plan overview

(1) Remuneration structure

The remuneration for the Directors, excluding Outside Directors, consists of basic remuneration, which is fixed, and performance-linked remuneration. The composition ratio of basic remuneration to performance-linked remuneration for the President and Representative Director is generally set at 1:2, to secure a high level of performance linkage suitable for a competitive remuneration level. As for the remuneration structure for the Directors other than the President and Representative Director, the Directors at a higher corporate rank earn a greater portion of performance-linked remuneration, given the size of their duties, etc. of each corporate rank.

The only remuneration for the Outside Directors is basic remuneration, which is a fixed remuneration, since the Outside Directors are independent from the conduct of business.

(2) Remuneration level

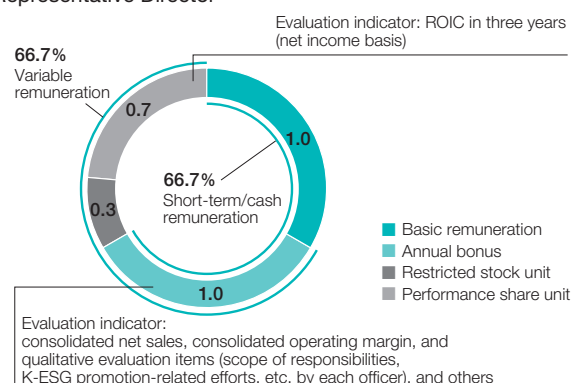
In order to properly secure competitiveness in terms of compensation suitable for a GMB company, Kubota appropriately sets the level of remuneration for the Directors, excluding Outside Directors, based on their corporate ranks and duties, by using data on objective executive remuneration surveys conducted by an external specialized institution, etc. to identify a group of companies whose size, profitability, type of business, overseas networks, etc. are comparable to those of Kubota as a benchmark for comparison.

(3) Shareholding guideline

To deepen the level of shared value with its shareholders, Kubota encourages the Directors, excluding Outside Directors, to hold Kubota Corporation stock for five years, in principle, from taking office as follows:

- President and Representative Director: stock equal in value to three times the basic remuneration
- Other Directors: stock equal in value to 2.4 to 2.7 times the basic remuneration

Remuneration Composition Ratios for the President and Representative Director



(4) Clawback/recovery of remuneration, etc. (malus and clawback clauses)

Kubota has compensation clawback clauses for the restricted stock unit and the performance share unit to be granted to the Directors. If an incident of misconduct, etc., arises, Kubota may claim the return, etc., of all or part of the issued stock and shares. The decision on claims for return, etc., and their details shall be reviewed by the Compensation Advisory Committee before being determined by a Board of Directors resolution.

(5) Remuneration determination process

- Kubota's policy on the decision of the details of remuneration for the Directors and the details of individual remuneration, etc. shall be decided by resolution of the Board of Directors based on the result of objective deliberation by the Compensation Advisory Committee.
- The review by the Compensation Advisory Committee shall be attended or observed by a compensation advisor from an external specialized institution, where necessary, for the purpose of providing an objective point of view as well as expert knowledge and information concerning compensation plans.

Total FY2022 remuneration by position

Position	Number of persons	Total amount of compensation (millions of yen)			
		Basic remuneration	Bonus	Restricted stock unit	Performance share unit
Directors (excluding Outside Directors)	6	362	238	120	55
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	3	120	—	—	—
Outside Directors	4	77	—	—	—
Outside Audit & Supervisory Board Members	4	49	—	—	—

*1 The figures above include one Director who stood down at the end of his term of office and one Outside Audit & Supervisory Board Member who stood down from his position at the conclusion of the 132nd General Meeting of Shareholders held on March 18, 2022.

*2 Bonuses for the Directors, excluding Outside Directors, take the form of cash remuneration. The aims behind these bonuses are to encourage the attainment of fiscal year performance targets related to business scale and profitability, and to accelerate K-ESG management initiatives. These indicators comprise a portion linked to company-wide performance (consolidated revenue and consolidated operating margin), a portion of individual evaluation, and a portion of K-ESG evaluation. For FY2022, consolidated revenue reached ¥2,678.8 billion and the operating margin was 8.2%.

Fundamental Compliance Promotion Policy

To realize K-ESG management, we share a common set of values codified in our Corporate Principles and Code of Conduct, and our fundamental policy is that we faithfully adhere to laws and internal rules, but also to ethical and moral standards. Compliance forms the foundation for a company to achieve continuous growth, and so to promote it, we have come up with a three-pronged approach: fostering awareness, gaining knowledge, and constructing systems. In line with this approach, we are ensuring thorough compliance through such measures as training and education, rules, and an internal control system.

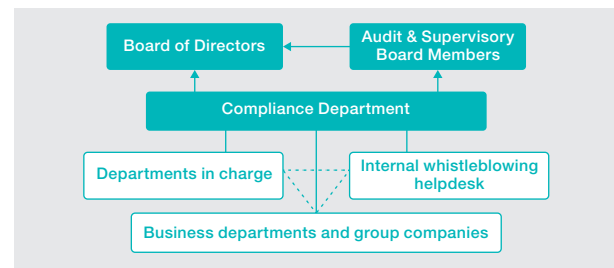
Moreover, to warrant the trust and confidence placed in us by customers and other stakeholders, and to give back to society, it is important that we perform our work honestly and sincerely, without lies or falsehoods. On this point, we are striving to transform some words that Kubota's founder valued—"One must hold integrity and morality in high esteem"—into our corporate culture. It goes without saying that we must adhere to laws and regulations, but integrity and morality are equally vital in this age of compliance, and we believe them to be the basis of our corporate activities.

Basic approach

"No sales or profits are worth pursuing at the expense of the Kubota Group's corporate dignity and trust."

Ref: "The Way of Business," a radio segment by Gonshiro Kubota that was broadcast on March 8, 1937. In it he stated:
"First, one must encourage, and patiently exert, oneself.
Second, **one must hold integrity and morality in high esteem.**
Third, one must temper one's body and mind."

Promotion framework



Internal Control System

The internal control system serves as the mechanism for clearly providing the rules, for conducting business based on those rules, and for checking whether or not business has been conducted correctly in accordance with those rules. This system consists of business operation on one hand, which entails the performance of business based on rules, and risk management on the other, which entails the management of major business risks.

The **business operation** side of internal control involves setting out basic action items necessary for operating businesses in the form of business rules. It also requires that each department, or relevant manager or supervisor, conducts day-to-day checks in accordance with these rules.

Risk management involves setting out proposals for necessary ways for each of the departments primarily responsible for managing risk to do so, the effectiveness of these is verified by auditing each department.

In the internal control system, major risks facing Kubota's business are classified into the following three categories:

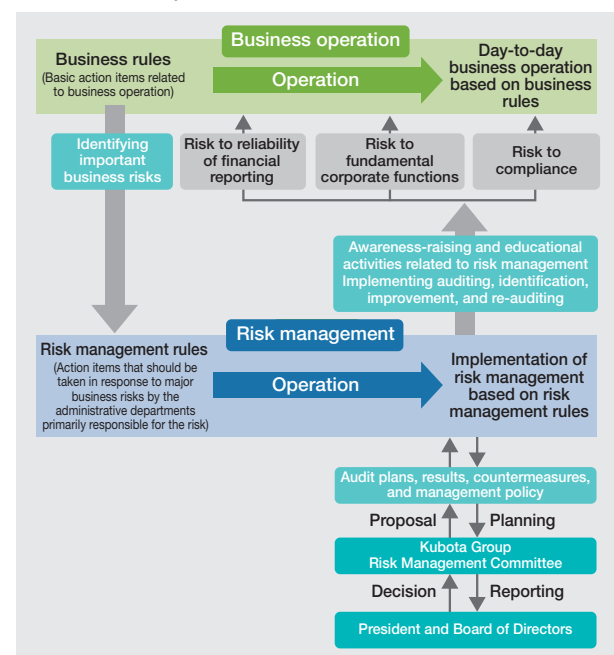
1. Internal control over reliability of financial reporting
2. Internal control over the fundamental functions of the Company, such as fair trade, environmental conservation, and health and safety
3. Internal control over compliance, such as adherence with laws and regulations related to equipment, and import and export controls

Internal Control System Risk Management Activities

Based on a recognition that risk management activities are at the heart of business activities, we identify risks that are common to the entire Kubota Group—such as risks related to the reliability of financial reporting—and make steady, continuous improvements by fixing those activities immediately if they are not enough. In this way, we strive toward appropriate risk management.

At the same time, while accelerating the global development of our businesses, we firmly recognize that risk management activities are the foundation for the continuity of those businesses, and we endeavor to improve such activities both in Japan and overseas.

Internal control system overview



Governance

Kubota Group Risk Management Committee

Given that the social demands on corporate risk management are changing, we require a system that can adapt to those changes and flexibly respond to other changes in the future. To that end, in January 2023, we established the Kubota Group Risk Management Committee. In order to raise corporate value, the committee takes over the existing risk management tasks connected to internal control risks, while also aiming to construct a management system for new risks that threaten to have a major impact on our business operations.

Therefore, in addition to periodic risk assessments for the Kubota Group, the committee carries out risk evaluations, and decides on which risks should be prioritized. Underneath the committee, there are subcommittees to implement risk countermeasures, and these report on the progress of countermeasures to the Kubota Group Risk Management Committee. The committee will monitor this, and offer instructions where necessary.

The director in charge of risk management reports regularly to the Board of Directors about risk evaluations, and the policy and progress on countermeasures.

System



Information Management

As cyberattacks grow more sophisticated and more complex with each year, we recognize that the appropriate protection and management of the personal information of our customers and other stakeholders is an important social responsibility. We are also devoted to preventing leaks of confidential information such as technological information. Under a Group-wide framework directed by an information security supervisor who oversees the entire Group, we assign expert staff who have specialist qualifications from bodies in Japan or overseas (Registered Information Security Specialist (RISS), Certified Information Systems Security Professional (CISSP), etc.) to administrative departments primarily responsible for Group-wide information security. We also deploy IT managers to each worksite, and we are developing security countermeasures that cover the entire Kubota Group, based on policies determined by the departments primarily responsible.

Compliance with the Anti-Monopoly Act/Competition Law

We continuously conduct audits related to the Anti-Monopoly Act/Competition Law, including on-site inspections, for the Kubota Corporation and group companies in Japan. For overseas group companies as well, we gauge the status of risk management through document audits and communication via email, online meetings, and other formats.

By implementing continuous training on the Anti-Monopoly Act/Competition Law at Kubota Corporation's own business divisions and at group companies, we carry out enlightenment and awareness-raising efforts to ensure thorough compliance. Each time workers are stationed as managers at overseas group companies, they undergo wide-ranging legal training, including on competition laws.

Protecting Personal Information

Around the world, as regulations related to the protection of personal information are being tightened, we are working to keep up to date with revisions to laws in different countries.

Kubota Hotline (Whistleblowing System)

As a framework to supplement our risk management, we operate a whistleblowing system (with a helpdesk at an outside legal office). This system aims to prevent, or quickly detect and correct, any illegal or unethical acts as well as to develop an open corporate culture. We also conduct activities to raise awareness of the system, such as introducing the whistleblowing process and other details via in-house newsletters and websites. In FY2022, the system received 100 reports from Kubota and group companies in Japan. Separate to the whistleblowing system above, we also operate an auditor hotline for matters related to our executives, and a supplier hotline for our outside business partners.

Prevention of Illegal Payments

The Kubota Group has placed particular focus on preventing bribery among risk management activities on the preventing of illegal payment, and will work to achieve SDGs Target 16.5: Substantially reduce corruption and bribery in all their forms. In FY2022, we carried out web-based training and e-learning programs, and our top management made a clear commitment by declaring that the Kubota Group never allows business based on unfair practices such as bribery. In addition, document surveys and interviews were conducted at 11 companies in Japan and 45 overseas sites. We are working to enhance our internal control systems globally by preparing to introduce a global hotline, with the aim of preventing illegal or immoral activities—including bribery—or quickly discovering them if they do occur.

The Committee on Prevention of Illegal Payments investigates whether preventive frameworks are in place and functioning adequately.

Management (as of March 24, 2023)

Directors and Senior Executive Officers



Yuichi Kitao

President and Representative Director
 Shares owned: 112,819
 Time in office: 8 years and 9 months

Committee activity: Chair of the Board of Directors and member of the Nomination Advisory Committee

Apr. 1979: Joined Kubota Corporation
 Apr. 2005: GM of Tractor Engineering Dept.
 Apr. 2009: Senior Executive Officer and GM of Tractor Div.
 Jan. 2011: President of Kubota Tractor Corp.
 Apr. 2013: Managing Executive Officer of Kubota Corporation
 Oct. 2013: GM of Farm and Utility Machinery Div. and Farm and Utility Machinery International Operations HQ
 Jun. 2014: Director and Managing Executive Officer
 Apr. 2015: Director and Senior Managing Executive Officer in charge of Farm and Industrial Machinery Domain
 Jan. 2019: Representative Director and Executive Vice President, GM of Farm and Industrial Machinery Consolidated Div.
 Jun. 2019: GM of Innovation Center
 Jan. 2020: President and Representative Director (to present)



Masato Yoshikawa

Representative Director and Executive Vice President
 GM of Planning and Control HQ,
 GM of Global ICT HQ
 Shares owned: 64,046
 Time in office: 6 years

Committee activity: Member of the Nomination Advisory Committee and Compensation Advisory Committee

Apr. 1981: Joined Kubota Corporation
 Feb. 2008: GM of Ductile Iron Pipe Planning Dept.
 Oct. 2009: GM of Pipe Systems Planning Dept.
 Oct. 2010: GM of Corporate Planning & Control Dept.
 Apr. 2012: Senior Executive Officer
 Oct. 2013: President of Kubota Tractor Corp.
 Apr. 2015: Managing Executive Officer of Kubota Corporation
 Mar. 2017: Director and Managing Executive Officer
 Jan. 2018: Director and Senior Managing Executive Officer
 Jan. 2019: GM of Planning and Control HQ (to present) and GM of Global IT Management Dept.
 Apr. 2019: GM of Global ICT HQ (to present)
 Jan. 2020: Director and Executive Vice President
 Jan. 2022: Representative Director and Executive Vice President (to present)



Dai Watanabe

Director and Executive Vice President
 GM of Farm and Industrial Machinery
 Consolidated Div., GM of Innovation Center
 Shares owned: 80,593
 Time in office: 4 years

Apr. 1984: Joined Kubota Corporation
 Jun. 2008: GM of Farm and Industrial Machinery International Planning and Control Dept.
 Jan. 2012: President of Kubota Europe S.A.S.
 Apr. 2013: Senior Executive Officer of Kubota Corporation
 Feb. 2014: President of Kubota Farm Machinery Europe S.A.S.
 Dec. 2014: President of Kverneland AS
 Sep. 2016: GM of Agricultural Implement Business Unit of Kubota Corporation
 Jan. 2017: Managing Executive Officer and GM of Agricultural Implement Div.
 Oct. 2017: President of Kubota Holdings Europe B.V.
 Jan. 2018: GM of Agricultural Implement Div. of Kubota Corporation
 Jan. 2019: Senior Managing Executive Officer and GM of Farm and Industrial Machinery Strategy and Operations HQ
 Mar. 2019: Director and Senior Managing Executive Officer
 Jun. 2019: Deputy GM of Innovation Center
 Jan. 2020: GM of Farm and Industrial Machinery Consolidated Div. and GM of Innovation Center (to present)
 Jan. 2023: Director and Executive Vice President (to present)



Hiroto Kimura

Director and Senior Managing Executive Officer
 GM of Research and Development HQ,
 GM of Kubota Global Institute of Technology,
 Deputy GM of Innovation Center,
 GM of Carbon Neutral Promotion Dept.
 Shares owned: 26,407
 Time in office: 1 year

Apr. 1984: Joined Kubota Corporation
 Apr. 2007: GM of Rice Transplanter Engineering Dept.
 Apr. 2010: GM of Thai Technical Information Center, Farm and Industrial Machinery Research Dept.
 Aug. 2010: Vice President of Siam Kubota Corporation
 Jan. 2017: Senior Executive Officer of Kubota Corporation and President of Siam Kubota Corporation Co., Ltd.
 Sep. 2019: President of Kubota Research and Development Asia Co., Ltd.
 Jan. 2020: Managing Executive Officer and Deputy GM of Innovation Center (to present), Deputy GM of Research and Development HQ, Deputy GM of ASEAN Farm and Industrial Machinery Strategy and Operations HQ of Kubota Corporation
 Jan. 2021: GM of Research and Development HQ and Carbon Neutral Promotion Dept. (to present)
 Mar. 2022: Director and Managing Executive Officer
 Sep. 2022: GM of Kubota Global Institute of Technology (to present)
 Jan. 2023: Director and Senior Managing Executive Officer (to present)



Eiji Yoshioka

Director and Senior Managing Executive Officer
 GM of Water and Environment Infrastructure Consolidated Div.,
 Deputy GM of Innovation Center,
 GM of Tokyo Head Office
 Shares owned: 25,640
 Time in office: –

Apr. 1981: Joined Kubota Corporation
 Apr. 2005: GM of Quality Assurance & Manufacturing Promotion Dept.
 Apr. 2010: GM of Tsukuba Plant
 Apr. 2013: GM of Air Conditioning Equipment Business Unit of Kubota Corporation and President of Kubota Air Conditioner, Ltd.
 Jan. 2016: Senior Executive Officer and GM of Materials Div. of Kubota Corporation
 Jan. 2019: Responsible for Special Tasks Assigned by President
 Jan. 2020: Managing Executive Officer and GM of Pipe Systems and Infrastructure Div.
 Jan. 2022: Senior Managing Executive Officer, GM of Water and Environment Infrastructure Consolidated Div. (to present), Deputy GM of Innovation Center (to present), and GM of Tokyo Head Office (to present)
 Mar. 2023: Director and Senior Managing Executive Officer (to present)



Shingo Hanada

Director and Managing Executive Officer
 President of Kubota North America Corp.,
 President of Kubota Tractor Corp.
 Shares owned: 5,843
 Time in office: –

Apr. 1989: Joined Kubota Corporation
 Apr. 2015: GM of Tractor Planning and Sales Promotion Dept.
 Jan. 2017: GM of Agricultural Tractor Planning and Sales Promotion Dept.
 Jan. 2018: GM of Outdoor Power Equipment Business Unit and Outdoor Power Equipment Business Planning and Development Dept.
 Jan. 2019: Senior Executive Officer and GM of Outdoor Power Equipment Div.
 Feb. 2020: GM of Outdoor Power Equipment Business Planning and Development Dept.
 Jan. 2021: President of Kubota Holdings Europe B.V. and Kverneland AS
 Jan. 2022: Managing Executive Officer of Kubota Corporation, President of Kubota North America Corp. (to present) and President of Kubota Tractor Corp. (to present)
 Mar. 2023: Director and Managing Executive Officer of Kubota Corporation (to present)

Outside Directors



Yuzuru Matsuda

Outside Director
 Shares owned: 28,499
 Time in office: 8 years and 9 months

Committee activity: Chair of the Nomination Advisory Committee and Compensation Advisory Committee

Apr. 1977: Joined Kyowa Hakko Kogyo Co., Ltd. (currently, Kyowa Kirin Co., Ltd.)
 Jun. 1999: Director of Drug Discovery Research Laboratories, Pharmaceutical Research Institute of Fuji Plant
 Jun. 2000: Executive Officer and Executive Director of Pharmaceutical Research Institute
 Jun. 2002: Executive Director and Director of Corporate Planning Department
 Jun. 2003: President and Chief Operating Officer
 Oct. 2008: President and Chief Executive Officer of Kyowa Hakko Kirin Co., Ltd. (currently, Kyowa Kirin Co., Ltd.)
 Jun. 2012: President of Kato Memorial Bioscience Foundation
 Jun. 2014: Outside Director of Kubota Corporation (to present) and Outside Director of Bandai Namco Holdings Inc.
 Jun. 2015: Outside Director of JSR Corporation
 Jun. 2019: Director Emeritus of Kato Memorial Bioscience Foundation (to present)



Koichi Ina

Outside Director
 Shares owned: 24,175
 Time in office: 7 years and 9 months

Committee activity: Member of the Nomination Advisory Committee and Compensation Advisory Committee
 Significant concurrent roles: Outside Director of Sansha Electric Manufacturing Co., Ltd.

Apr. 1973: Joined Toyota Motor Co., Ltd. (currently, Toyota Motor Corporation)
 Jan. 1998: GM of the Motomachi Plant Machining Div.
 Jun. 2000: Division GM of the Motomachi Plant Administration Div.
 Jun. 2002: Board of Director, Plant Manager of Honsha Plant and Motomachi Plant
 Jun. 2003: Managing Officer and GM of Global Production Promotion Center
 Jun. 2004: Plant Manager of Myochi Plant
 Jun. 2005: Plant Manager of Takaoka Plant and Tsutsumi Plant
 Jun. 2006: Plant Manager of Miyoshi Plant
 Jun. 2007: Senior Managing Director, Chief Officer of Production Planning Group and Manufacturing Group
 Jun. 2009: Executive Vice President of Daihatsu Motor Co., Ltd.
 Jun. 2010: President
 Jun. 2013: Chairman
 Jun. 2015: Outside Director of Kubota Corporation (to present)
 Jun. 2019: Outside Director of Sansha Electric Manufacturing Co., Ltd. (to present)

*Shares owned is correct as of December 2022, time in office is correct as of March 2023.

Governance



Yutaro Shintaku

Outside Director

Shares owned: 8,825
Time in office: 5 years

Committee activity: Member of the Nomination Advisory Committee and Compensation Advisory Committee

Significant concurrent roles: Director of the Board (Outside Director) of Santen Pharmaceutical Co., Ltd.
Outside Director of Kozo Keikaku Engineering Inc.

Apr. 1979: Joined Toa Nenryo Kogyo K.K. (currently, ENEOS Corporation)
Jan. 1999: Joined Terumo Corporation
Jun. 2005: Executive Officer
Jun. 2006: Director and Executive Officer
Jun. 2007: Director and Senior Executive Officer, in charge of R&D Center, Intellectual Property Dept. and Legal Dept.
Jun. 2009: Director and Managing Executive Officer, GM of Strategy Planning Dept., in charge of Human Resources Dept. and Accounting & Finance Dept.
Jun. 2010: President and Representative Director
Apr. 2017: Director and Adviser
Jun. 2017: Outside Director of Santen Pharmaceutical Co., Ltd. (to present) and Outside Director of J-Oil Mills, Inc.
Mar. 2018: Outside Director of Kubota Corporation (to present)
Apr. 2018: Visiting Professor of Hitotsubashi University Business School
Apr. 2019: Special Professor (to present)
Sep. 2019: Outside Director of Kozo Keikaku Engineering Inc. (to present)



Kumi Arakane

Outside Director

Shares owned: 7,720
Time in office: 2 years

Committee activity: Member of the Nomination Advisory Committee and Compensation Advisory Committee

Significant concurrent roles: External Director of Kagome Co., Ltd.
Outside Director of Toda Corporation

Apr. 1981: Joined Kobayashi Kosé Company Limited (currently, Kosé Corporation)
Mar. 2002: Senior Chief Researcher of R&D Headquarters Advanced Cosmetic Research Laboratories of Kosé Corporation
Mar. 2004: GM of Product Development Dept., Marketing HQ
Mar. 2006: Executive Officer and Deputy Director-General of Marketing HQ
Mar. 2010: GM of R&D Laboratories
Mar. 2011: GM of Quality Assurance Dept. and Marketing Supervisor-General
Jun. 2011: Director, in charge of Quality Assurance Dept., Customer Service Center, Purchasing Dept., and Product Designing Dept.
Jun. 2017: Audit & Supervisory Board Member
Mar. 2019: Audit & Supervisory Board Member of Kubota Corporation
Mar. 2020: External Director of Kagome Co., Ltd. (to present)
Jun. 2020: Outside Director of Toda Corporation (to present)
Mar. 2021: Outside Director of Kubota Corporation (to present)



Koichi Kawana

Outside Director

Shares owned: 0
Time in office: --

Committee activity: Member of the Nomination Advisory Committee and Compensation Advisory Committee

Significant concurrent roles: Outside Director of Tokyo Electron Device Limited
Outside Director of Bandai Namco Holdings Inc.
Outside Director (Audit and Supervisory Committee Member) of COMSYS Holdings Corporation
External Director of RENOVA, Inc.

Apr. 1982: Joined JGC Corporation (currently, JGC Holdings Corporation)
Jul. 1997: GM of Abu Dhabi Office and Kuwait Office
Jul. 2001: GM of London Office
May 2004: GM of Project Business Investment Promotion Dept.
Jul. 2007: Executive Officer and GM of New Business Promotion Div.
Aug. 2007: Senior GM of New Business Promotion Div.
Jul. 2009: Managing Director and Senior GM of Global Marketing Div.
Jun. 2010: Representative Director and Senior Executive Vice President
Jul. 2011: Representative Director and President (COO)
Jun. 2012: Representative Director and President
Jun. 2017: Director and Vice Chairman
Jun. 2019: Outside Director of Tokyo Electron Device Limited, Outside Director of Bandai Namco Holdings Inc., and Outside Director (Audit and Supervisory Committee Member) of COMSYS Holdings Corporation (to present)
Jun. 2020: External Director of RENOVA, Inc. (to present)
Dec. 2020: External Director of ispace, Inc. (to present)
Apr. 2021: Representative Director and President of Lublyst Inc. (to present)
Jul. 2021: Industry Advisor of KKR Japan Inc. (to present)
Mar. 2023: Outside Director of Kubota Corporation (to present)

Audit & Supervisory Board Members



Toshikazu Fukuyama

Audit & Supervisory Board Member

Shares owned: 18,300
Time in office: 8 years and 9 months

Committee activity: Chair of the Audit & Supervisory Committee

Apr. 1979: Joined Kubota Corporation
Oct. 2005: GM of Corporate Planning & Control Dept.
Oct. 2009: Vice President of Siam Kubota Industries Co., Ltd. (currently, Siam Kubota Corporation Co., Ltd.) and Director of Siam Kubota Leasing Co., Ltd.
Aug. 2010: Vice President of Siam Kubota Corporation Co., Ltd.
Jun. 2014: Audit & Supervisory Board Member of Kubota Corporation (to present)



Yasuhiko Hiyama

Audit & Supervisory Board Member

Shares owned: 23,400
Time in office: 5 years

Apr. 1981: Joined Kubota Corporation
Apr. 2008: President of Kubota Industrial Equipment Corp.
Apr. 2010: GM of Farm and Utility Machinery Planning and Sales Promotion Dept.
Apr. 2012: GM of Farm and Utility Machinery Planning and Sales Promotion Dept.
Apr. 2014: GM of Farm and Utility Machinery Business Unit I, Farm and Utility Machinery Planning and Sales Promotion Dept. I, and Farm and Utility Machinery Planning and Sales Promotion Dept. II
Apr. 2015: GM of Tractor and Utility Machinery Business Unit
Jan. 2016: Senior Executive Officer
Jan. 2017: GM of Compact Tractor, Turf and Utility Vehicle Business Unit
Jan. 2018: Deputy GM of Tractor Div.
Mar. 2018: Audit & Supervisory Board Member (to present)



Masashi Tsunematsu

Audit & Supervisory Board Member

Shares owned: 6,401
Time in office: 1 year

Apr. 1986: Joined Kubota Corporation
Jun. 2010: GM of Water Engineering & Solution Planning Dept.
Jan. 2018: GM of Environmental Business Planning and Sale Dept.
Feb. 2019: GM of Water and Environment Infrastructure Management Dept.
Jan. 2022: Water and Environment Infrastructure Consolidated Div.
Mar. 2022: Audit & Supervisory Board Member (to present)

*Shares owned is correct as of December 2022, time in office is correct as of March 2023.

Outside Audit & Supervisory Board Members



Yuichi Yamada

Outside Audit & Supervisory
Board Member

Shares owned: 3,800
Time in office: 3 years

Committee activity: Observer of the Compensation Advisory
Committee

Significant concurrent roles: External Audit & Supervisory Board
Member of Japan Finance Corporation
Representative of Yuichi Yamada Certified Public Accountant Firm

Oct. 1984: Joined Asahi & Co. (currently, KPMG AZSA LLC)
Mar. 1988: Registered as a certified public accountant
Aug. 1997: Partner of Asahi & Co. (currently, KPMG AZSA LLC)
Aug. 2003: Senior Partner
Jun. 2008: Board member of AZSA & Co. (currently, also KPMG AZSA LLC)
Sep. 2011: Deputy Managing Partner of Tokyo Office
Jul. 2015: Chairman of Tokyo Partners Meeting
Jun. 2016: External Audit & Supervisory Board Member of Japan
Finance Corporation (to present)
Jul. 2016: Representative of Yuichi Yamada Certified Public
Accountant Firm (to present)
Jun. 2017: Outside Audit & Supervisory Board Member of Sumitomo
Metal Mining Co., Ltd.
Mar. 2020: Outside Audit & Supervisory Board Member of Kubota
Corporation (to present)



Yuri Furusawa

Outside Audit & Supervisory
Board Member

Shares owned: 2,600
Time in office: 2 years

Significant concurrent roles: Audit & Supervisory Board
Member of Subaru Corporation

Apr. 1986: Joined Ministry of Transport (Civil Aviation Bureau)
Dec. 2000: Administrator of Organisation for Economic Co-operation
and Development (OECD)
Jul. 2004: Director for International Policy Planning, Ministry of
Land, Infrastructure and Transport Planning Unit at the
Ministry of Land, Infrastructure and Transport
Jul. 2006: Director for International Affairs & Crisis Management
Division, Japan Coast Guard
Jul. 2008: Counsellor of Cabinet Secretariat (Office of Assistant
Chief Cabinet Secretary)
Aug. 2011: Deputy General Manager of International Sales
Department, Shiseido Co., Ltd.
Jul. 2014: Assistant Vice-Minister for International Affairs of
Ministry of Land, Infrastructure, Transport and Tourism
Sep. 2015: Vice-Commissioner of Japan Tourism Agency
Jun. 2016: Councillor of Cabinet Secretariat, Cabinet Bureau of
Personnel Affairs
Jul. 2019: Minister's Secretariat of Ministry of Land, Infrastructure,
Transport and Tourism
Mar. 2021: Audit & Supervisory Board Member of Kubota Corporation
(to present)
Jun. 2022: Audit & Supervisory Board Member of Subaru Corporation
(to present)



Keiji Kimura

Outside Audit & Supervisory
Board Member

Shares owned: 1,100
Time in office: 1 year

Significant concurrent roles: Senior Partner of Kyoei Law Office

Apr. 1987: Registered as an attorney, joined Showa Law Office
Jan. 1994: Registered as an attorney in New York State, US
May 1998: Established Kyoei Law Office
Jun. 2000: Outside Auditor of Okada Aiyon Corporation
Sep. 2007: Outside Auditor of Nagaoka International Corporation
Jun. 2009: Outside Auditor of Charlie Co., Ltd.
Jan. 2011: Senior Partner of Kyoei Law Office (to present)
Mar. 2015: Corporate Auditor (Outside) of Nippon Electric Glass Co., Ltd.
Mar. 2022: Outside Audit & Supervisory Board Member of Kubota
Corporation (to present)

Senior Executive Officers

Senior Managing Executive Officers

Yuji Tomiyama
Kazuhiro Kimura
Nikhil Nanda
Nobuyuki Ishii

Managing Executive Officers

Kazunari Shimokawa Muneji Okamoto
Ryuichi Minami Koichi Yamamoto
Yoshimitsu Ishibashi Hirohiko Arai
Yasukazu Kamada
Katsuhiko Yukawa

Senior Executive Officers

Koichiro Kan Shinichi Fukuhara
Tomohiro Iitsuka Hideki Mori
Kazushi Ito Junji Ota
Mampei Yamamoto Takano Azuma
Nobushige Ichikawa

Executive Officers

Hideo Takigawa Hiroyuki Araki Patrick Verheecke
Takashi Ichikawa Yoshifumi Makino Sumio Morioka
Wataru Kondo Tadahito Suzui Shinichi Yamada
Hiroyuki Tanihara Koichi Nakagawa Hitoshi Sasaki
Toshiyuki Taneda Kazunori Tani Satoshi Suzuki
Shiro Watanabe Yuji Kambara
Todd Stucke Shinya Tsuruda

*Shares owned is correct as of December 2022, time in office is correct as of March 2023.

Chapter

06

Results of Value Creation

Overview

The following pages list the Kubota Group's achievements to date and external evaluations, with a focus on business results for 2022.

We will continue to steadily implement our management plan in each field of food, water, and the environment to realize the goals of our Long-Term Vision "GMB2030," aiming to solve social issues through our business.



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Financial Information

Consolidated statement of financial position

(Unit: millions of yen)	Dec. 31, 2022 (As of Dec. 31, 2022)	Dec. 31, 2021 (As of Dec. 31, 2021)
ASSETS		
Current assets		
Cash and cash equivalents	225,799	258,639
Trade receivables	779,385	574,349
Finance receivables	480,658	381,235
Other financial assets	71,516	50,875
Contract asset	28,018	24,707
Inventories	644,471	510,065
Income taxes receivable	2,710	8,430
Other current assets	72,768	59,115
Total current assets	2,305,325	1,867,415
Noncurrent assets		
Investments accounted for using the equity method	46,492	43,768
Finance receivables	1,203,856	1,029,264
Other financial assets	165,438	154,781
Property, plant, and equipment	635,700	496,312
Goodwill	162,439	10,355
Intangible assets	116,335	85,529
Deferred tax assets	74,443	50,423
Other noncurrent assets	21,245	35,809
Total noncurrent assets	2,425,948	1,906,241
Total assets	4,731,273	3,773,656

(Unit: millions of yen)	Dec. 31, 2022 (As of Dec. 31, 2022)	Dec. 31, 2021 (As of Dec. 31, 2021)
LIABILITIES		
Current liabilities		
Bonds and borrowings	640,889	504,335
Trade payables	454,780	392,331
Other financial liabilities	106,096	96,740
Income taxes payable	24,646	33,546
Provisions	65,823	52,208
Contract liabilities	33,509	23,402
Other current liabilities	268,787	211,177
Total current liabilities	1,594,530	1,313,739
Noncurrent liabilities		
Bonds and borrowings	970,216	590,174
Other financial liabilities	41,135	33,375
Retirement benefit liabilities	14,293	14,899
Deferred tax liabilities	27,096	31,037
Other noncurrent liabilities	6,673	5,323
Total noncurrent liabilities	1,059,413	674,808
Total liabilities	2,653,943	1,988,547
EQUITY		
Equity attributable to owners of the parent		
Share capital	84,130	84,130
Share premium	79,247	84,886
Retained earnings	1,535,115	1,439,631
Other components of equity	188,386	69,522
Treasury shares	(3,557)	(134)
Total equity attributable to owners of the parent	1,883,321	1,678,035
Noncontrolling interests	194,009	107,074
Total equity	2,077,330	1,785,109
Total liabilities and equity	4,731,273	3,773,656

Consolidated statement of profit or loss

(Unit: millions of yen, except earnings per share)	Year ended Dec. 31, 2022 (Jan. 1, 2022 to Dec. 31, 2022)	Year ended Dec. 31, 2021 (Jan. 1, 2021 to Dec. 31, 2021)
Revenue	2,678,772	2,196,766
Cost of sales	(1,982,248)	(1,564,960)
Selling, general, and administrative expenses	(485,644)	(392,091)
Other income	15,488	10,638
Other expenses	(7,426)	(5,788)
Operating profit	218,942	244,565
Finance income	16,982	9,341
Finance costs	(1,997)	(2,989)
Profit before income taxes	233,927	250,917
Income tax expenses	(59,149)	(64,756)
Share of profits of investments accounted for using the equity method	1,642	3,042
Profit for the year	176,420	189,203

Profit attributable to:

Owners of the parent	156,182	174,765
Noncontrolling interests	20,238	14,438

(Unit: yen)

Earnings per share attributable to owners of the parent:

Basic	130.82	144.80
Diluted	—	—

Consolidated statement of comprehensive income

(Unit: millions of yen)	Year ended Dec. 31, 2022 (Jan. 1, 2022 to Dec. 31, 2022)	Year ended Dec. 31, 2021 (Jan. 1, 2021 to Dec. 31, 2021)
Profit for the year	176,420	189,203
Other comprehensive income, net of income tax:		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit pension plans	(8,642)	4,085
Net change in fair value of financial assets measured at fair value through other comprehensive income	8,108	12,682
Items that may be reclassified subsequently to profit or loss:		
Exchange rate differences on translating foreign operations	136,081	78,139
Total other comprehensive income, net of income tax	135,547	94,906
Comprehensive income for the year	311,967	284,109

Comprehensive income attributable to:

Owners of the parent	285,657	269,162
Noncontrolling interests	26,310	14,947

Consolidated statement of changes in equity

(Unit: millions of yen)	Equity attributable to owners of the parent					Total equity attributable to owners of the parent	Noncontrolling interests	Total equity
	Share capital	Share premium	Retained earnings	Other components of equity	Treasury shares			
Balance as of Jan. 1, 2021	84,130	84,943	1,325,764	(18,162)	(636)	1,476,039	98,146	1,574,185
Cumulative effects of changes in accounting policies			943	7		950	716	1,666
Profit for the year			174,765			174,765	14,438	189,203
Total other comprehensive income, net of income tax				94,397		94,397	509	94,906
Comprehensive income for the year			174,765	94,397		269,162	14,947	284,109
Transfer to retained earnings			6,718	(6,718)		—		—
Dividends paid			(48,333)			(48,333)	(6,706)	(55,039)
Purchases and sales of treasury shares					(20,003)	(20,003)		(20,003)
Retirement of treasury shares		(95)	(20,226)		20,321	—		—
Share-based payments with transfer restrictions		98			184	282		282
Changes in ownership interests in subsidiaries		(60)		(2)		(62)	(29)	(91)
Balance as of Dec. 31, 2021	84,130	84,886	1,439,631	69,522	(134)	1,678,035	107,074	1,785,109
Profit for the year			156,182			156,182	20,238	176,420
Total other comprehensive income, net of income tax				129,475		129,475	6,072	135,547
Comprehensive income for the year			156,182	129,475		285,657	26,310	311,967
Transfer to retained earnings			10,757	(10,757)		—		—
Dividends paid			(51,466)			(51,466)	(6,673)	(58,139)
Purchases and sales of treasury shares					(23,412)	(23,412)		(23,412)
Retirement of treasury shares			(19,989)		19,989	—		—
Share-based payment transactions		552				552		552
Written put options over noncontrolling interests		(3,138)				(3,138)		(3,138)
Changes associated with business combination						—	70,034	70,034
Changes in ownership interests in subsidiaries		(3,053)		146		(2,907)	(2,736)	(5,643)
Balance as of Dec. 31, 2022	84,130	79,247	1,535,115	188,386	(3,557)	1,883,321	194,009	2,077,330

Consolidated statement of cash flows

(Unit: millions of yen)	Year ended Dec. 31, 2022 (Jan. 1, 2022 to Dec. 31, 2022)	Year ended Dec. 31, 2021 (Jan. 1, 2021 to Dec. 31, 2021)
Cash flows from operating activities:		
Profit for the year	176,420	189,203
Depreciation and amortization	85,213	71,701
Finance income and costs	(12,040)	(6,455)
Income tax expenses	59,149	64,756
Share of profits of investments accounted for using the equity method	(1,642)	(3,042)
(Increase) decrease in trade receivables	(174,720)	30,366
Increase in finance receivables	(77,218)	(180,782)
Increase in inventories	(64,082)	(109,017)
Increase in other assets	(8,403)	(15,051)
Increase in trade payables	31,844	59,694
Increase in other liabilities	54,586	41,302
Other, net	2,312	448
Interest received	5,100	2,071
Dividends received	2,255	2,234
Interest paid	(2,205)	(1,838)
Income taxes paid, net	(84,249)	(53,079)
Net cash provided by operating activities	(7,680)	92,511
Cash flows from investing activities:		
Payments for acquisition of property, plant, and equipment and intangible assets	(169,651)	(125,723)
Payments for acquisition of securities	(8,763)	(2,584)
Proceeds from sales and redemptions of securities	1,844	4,240
Acquisition of subsidiaries	(135,039)	(7,986)
Acquisition of investments accounted for under the equity method	(28,856)	(4,844)
Net (increase) decrease in loans receivable from associate	(600)	500
Net (increase) decrease in time deposits	(3,374)	10,930
Net decrease in restricted cash	638	9,894
Net (increase) decrease in short-term investments	11,827	(689)
Other, net	13,475	(11,108)
Net cash used in investing activities	(318,499)	(127,370)
Cash flows from financing activities:		
Funding from bonds and long-term borrowings	703,003	336,100
Redemptions of bonds and repayments of long-term borrowings	(373,832)	(283,146)
Net increase in short-term borrowings	55,973	96,282
Repayments of lease liabilities	(20,731)	(19,096)
Dividends paid	(51,466)	(48,333)
Purchases of treasury shares	(23,412)	(20,003)
Other, net	(6,978)	(1,218)
Net cash provided by (used in) financing activities	282,557	60,586
Effect of exchange rate changes on cash and cash equivalents	10,782	9,993
Net (decrease) increase in cash and cash equivalents	(32,840)	35,720
Cash and cash equivalents, at the beginning of the year	258,639	222,919
Cash and cash equivalents, at the end of the year	225,799	258,639

Financial Analysis for Fiscal Year Ended December 2022

Revenue

- Sales increased by 21.9%, or 482.0 billion yen, compared to the previous fiscal year. By business segment, sales growth was recorded in the categories of Farm & Industrial Machinery and Water & Environment. Excluding a positive effect in foreign exchange fluctuations of approximately 238.0 billion yen, overseas revenue would have increased by approximately 15% year-on-year in real terms.

Farm & Industrial Machinery Business

- In Japan, agricultural machinery revenue and the market itself both shrank due to the termination of subsidies for business continuity and downward rice price trends.
- In North America, while the tractor residential market shrank, there was progress in the replenishment of dealer inventories. Revenue in construction machinery and engines performed strongly due to government demand for infrastructure development.
- In Europe, tractors struggled due to a shortage of mower inventories, inflation, and a decline in investment caused by rising interest rates. Meanwhile, construction machinery and engine sales remained firm, supported by demand for construction projects.
- In other parts of Asia, Thailand saw a year-on-year revenue decline on a local currency basis due to an adverse reaction to the government's grant aid program in the previous year and the impact of flooding. In India, revenue increased as Escorts Kubota Limited became our consolidated subsidiary.

Water & Environment Business

- In the pipe system business, while there were delays in iron pipe work resulting from piping contractor manpower shortages, shipments of plastic pipes for housing complexes in the Tokyo metropolitan area remained solid.
- In the materials business, overseas reaction tube projects remained healthy. The weak yen also contributed to strong performance.
- As for urban infrastructure, air-conditioners did well, reflecting manufacturers' move to reshore their factories to Japan following a review of supply chains.
- Regarding the environment business, revenue from O&M services posted steady growth.

Operating Profit

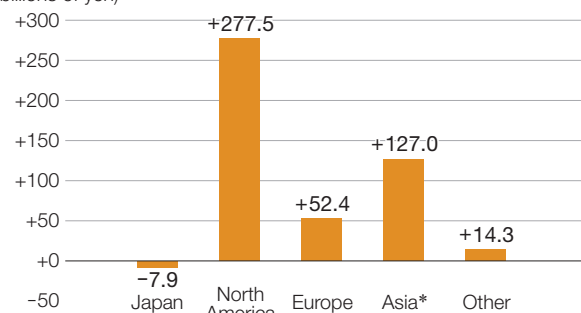
- Operating profit decreased by 10.5%, or 25.6 billion yen, compared to the previous fiscal year.

Foreign exchange fluctuations totaled a positive 64.0 billion yen and a foreign exchange gain of 4.8 billion yen made a positive contribution to profit. Meanwhile, raw material prices caused profit to decrease by 89.4 billion yen due to price hikes in purchased components, steel, and PVC products, and incentive rate fluctuations pushed down profit by 26.1 billion yen due to higher interest rates in the United States. On the sales front, the increase in sales (+15.4 billion yen) together with product price increases posted mainly in North America and Europe (+110.8 billion yen) pushed up profit. In the other category, negative factors pushing down profit include logistics expenses (-32.5 billion yen), R&D expenses (-21.6 billion yen), and depreciation and amortization (-9.1 billion yen), resulting in an overall profit decrease of 105.1 billion yen.

(billions of yen)

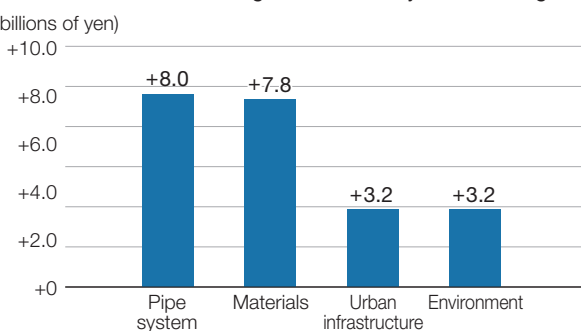
	FY2022	FY2021	Increase/decrease	
			Amount	%
Farm & Industrial Machinery	2,328.0	1,864.8	+463.2	+24.8
Japan	302.6	310.5	-7.9	-2.5
Overseas	2,025.4	1,554.3	+471.1	+30.3
Water & Environment	327.6	305.4	+22.2	+7.3
Japan	276.6	265.7	+10.9	+4.1
Overseas	51.0	39.7	+11.3	+28.6
Other	23.2	26.6	-3.4	-12.8
Japan	23.2	26.6	-3.4	-12.8
Overseas	0	0	-0	-18.8
Total revenue	2,678.8	2,196.8	+482.0	+21.9
Domestic revenue	602.4	602.8	-0.4	-0.1
Overseas revenue	2,076.4	1,594.0	+482.4	+30.3

Farm & Industrial Machinery: Changes in revenue by destination (billions of yen)



* Escorts Kubota Limited has been our consolidated subsidiary since 2Q of FY2022.

Water & Environment: Changes in revenue by business segment (billions of yen)



(billions of yen)

	FY2022		FY2021		Increase/decrease	
	Amount	%	Amount	%	Amount	%
Operating profit	218.9	8.2	244.6	11.1	-25.6	-10.5

Major cause for the decrease (-25.6 billion yen) in operating profit

1. Foreign exchange fluctuations	US dollar: from 110 yen to 131* ¹ Euro: from 130 yen to 138* ¹ Other	+47.0 billion yen +4.0 billion yen +13.0 billion yen	+64.0 billion yen
2. Gains/losses on foreign exchange			+4.8 billion yen
3. Raw material prices	Farm & Industrial Machinery: purchased components, steel, etc. Water & Environment: PVC, coils, etc.	-72.8 billion yen -16.6 billion yen	-89.4 billion yen
4. Incentive rate fluctuations	North America: -27.4 billion yen, other		-26.1 billion yen
5. Increase/decrease in sales			+15.4 billion yen
6. Product price increases			+110.8 billion yen
7. Other	Logistics expenses: -32.5 billion yen, R&D expenses: -21.6 billion yen, Depreciation and amortization: -9.1 billion yen, etc.		-105.1 billion yen

*1 The rates required to realize a profit (taking into consideration shipping and warehousing) for products exported from Japan were: US dollar: from 108 yen to 122; Euro: from 129 to approx. 134

Statement of Financial Position

- With regard to assets, higher sales in North America increased trade receivables, and inventories also increased due to transit. Goodwill increased as a result of making Escorts Kubota Limited our consolidated subsidiary. Property, and plant and equipment also increased due primarily to the establishment of the Kubota Global Institute of Technology.
- As for liabilities, interest-bearing liabilities increased as a result of an increase in finance receivables and the acquisition of the shares of Escorts Kubota Limited.
- Equity increased due to cumulative profits and improvements in other components of equity resulting from exchange rate fluctuations and other factors.
- Regarding the financial position of our main businesses excluding financial services, the debt equity ratio excluding financial services is negative because the balance of cash and cash equivalents exceeds the balance of interest-bearing liabilities, and the Company remains virtually debt free.

(billions of yen)

	Dec. 31, 2022	Dec. 31, 2021	Increase/ decrease
Cash and cash equivalents	225.8	258.6	-32.8
Trade receivables	779.4	574.3	+205.0
Finance receivables	1,684.5	1,410.5	+274.0
Inventories	644.5	510.1	+134.4
Other	1,397.1	1,020.1	+377.0
Total assets	4,731.3	3,773.7	+957.6
Interest-bearing liabilities	1,611.1	1,094.5	+516.6
Trade payables	454.8	392.3	+62.4
Other	588.1	501.7	+86.4
Total liabilities	2,653.9	1,988.5	+665.4
Equity attributable to owners of the parent	1,883.3	1,678.0	+205.3
Noncontrolling interests	194.0	107.1	+86.9
Total equity	2,077.3	1,785.1	+292.2
Total liabilities and equity	4,731.3	3,773.7	+957.6
Net debt equity ratio	+0.74	+0.50	+0.24
Net debt equity ratio (excl. financial services)	-0.03	-0.21	+0.19

Cash Flows

- Net cash used in operating activities was 7.7 billion yen, a decrease of 100.2 billion yen year-on-year, which is mainly attributable to an increase in trade receivables.
- Net cash used in investing activities was 318.5 billion yen, a year-on-year increase of 191.1 billion yen in expenditures due to the acquisition of subsidiaries and property, plant, and equipment.
- Net cash provided by financing activities amounted to 282.6 billion yen, a year-on-year increase of 222.0 billion yen mainly due to an increase in funding.

(billions of yen)

	FY2022	FY2021	Increase/ decrease
Net cash provided by operating activities	-7.7	92.5	-100.2
Net profit, and depreciation and amortization	261.6	260.9	+0.7
Increase in finance receivables	-77.2	-180.8	+103.6
Other	-192.1	12.4	-204.5
Net cash used in investing activities	-318.5	-127.4	-191.1
Acquisition of property, plant, equipment, and intangible assets	-169.7	-125.7	-43.9
Other	-148.8	-1.6	-147.2
Net cash provided by (used in) financing activities	282.6	60.6	+222.0
Effect of exchange rate changes on cash and cash equivalents	10.8	10.0	+0.8
Net increase (decrease) in cash and cash equivalents	-32.8	35.7	-68.6
Free cash flow	-177.3	-33.2	-144.1

Shareholder Return

- Annual dividend per share was 44 yen (an increase of 2 yen over the previous year). Shareholder return ratio is more than 40%, in line with our mid-term target.

Medium-Term Shareholder Return Targets

- Secure shareholder return ratio of 40% or more, aiming at 50%.
- Continue to immediately retire acquired treasury shares.

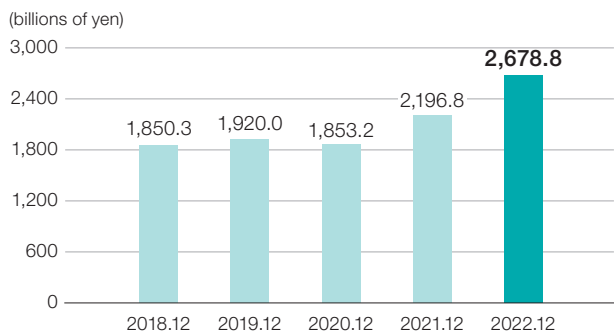
(billions of yen)

	FY2022	FY2021	Increase/ decrease
Profit attributable to owners of the parent (per share)	156.2 (130.82 yen)	174.8 (144.80 yen)	-18.6 (-13.98 yen)
Dividend (per share)	52.5 (44 yen)	50.6 (42 yen)	+1.9 (+2 yen)
Retirement of treasury shares (millions of shares)	20.0 (9.2 mil. shares)	20.2 (8.3 mil. shares)	-0.2 (+0.9 mil. shares)
Total shareholder return	72.5	70.8	+1.7
Payout ratio	34%	29%	+5P
Shareholder return ratio	46%	41%	+6P

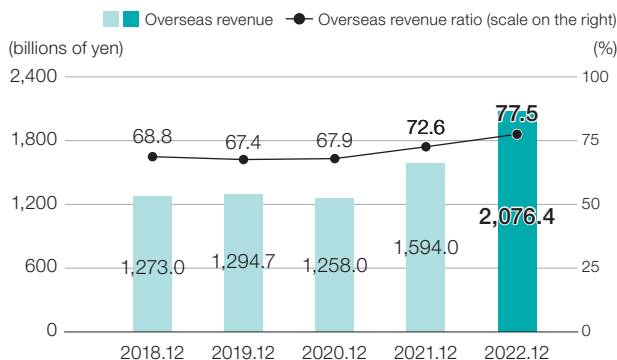
Financial Highlights

The following are excerpts from the Kubota Group's key financial data over the past five years.

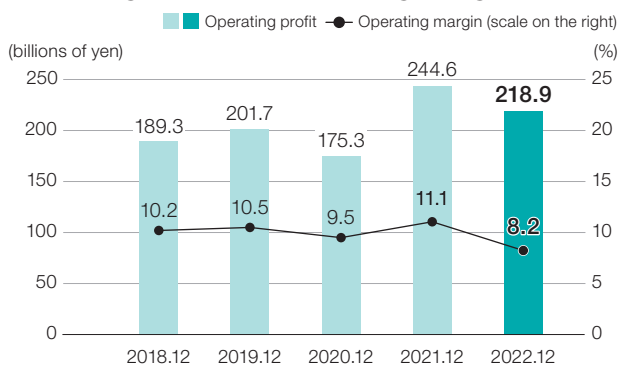
Revenue



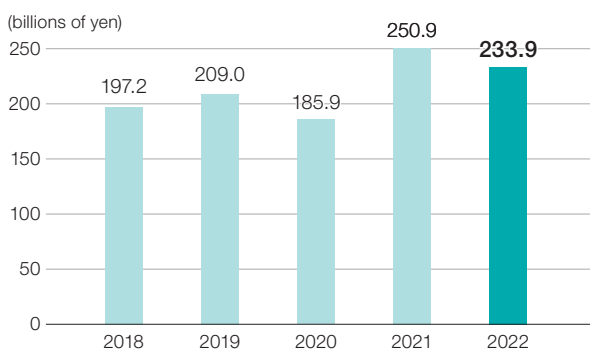
Overseas Revenue and Overseas Revenue Ratio



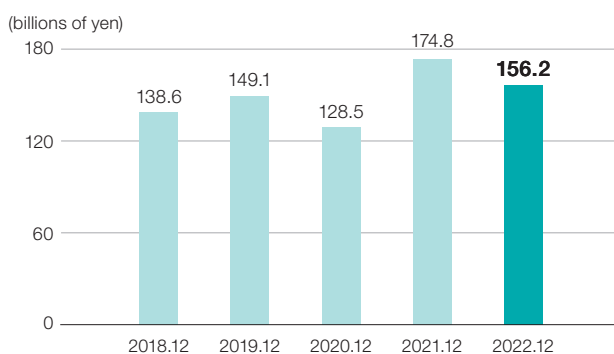
Operating Profit and Operating Margin



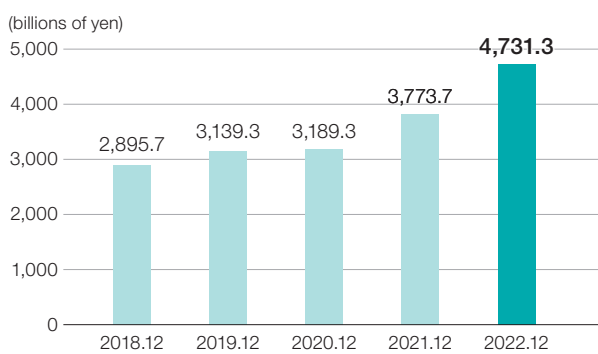
Profit before Income Taxes



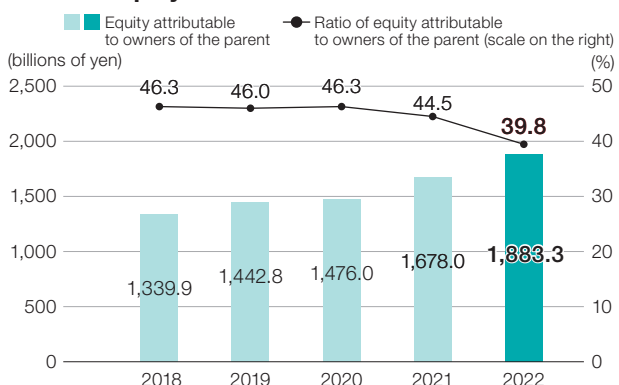
Profit Attributable to Owners of the Parent



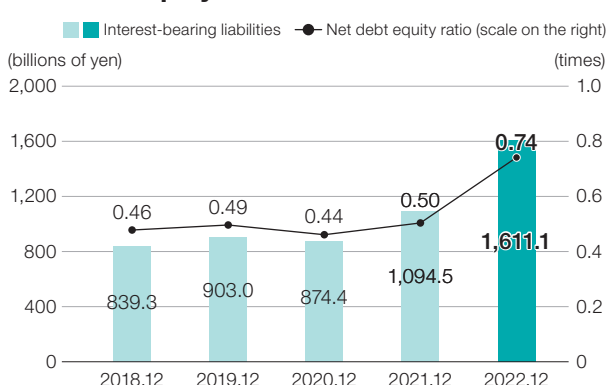
Total Assets



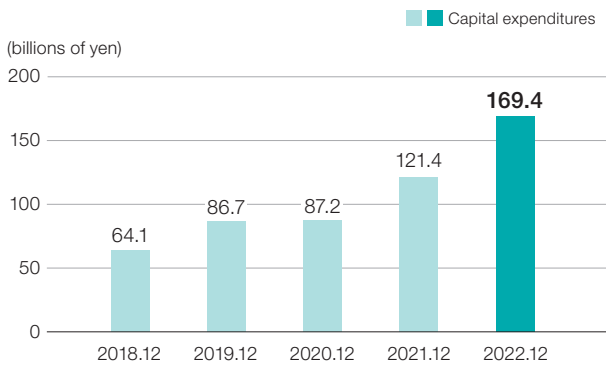
Equity Attributable to Owners of the Parent and Ratio of Equity Attributable to Owners of the Parent



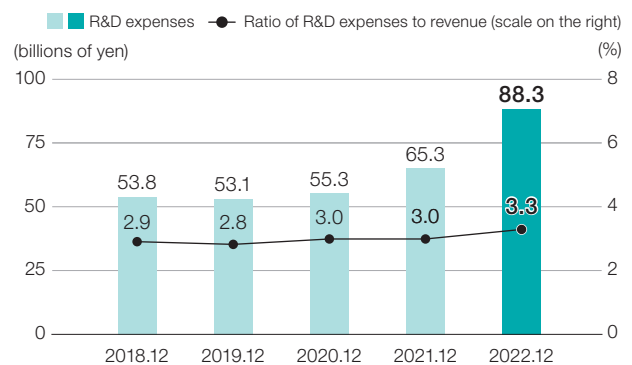
Interest-bearing Liabilities and Net Debt Equity Ratio



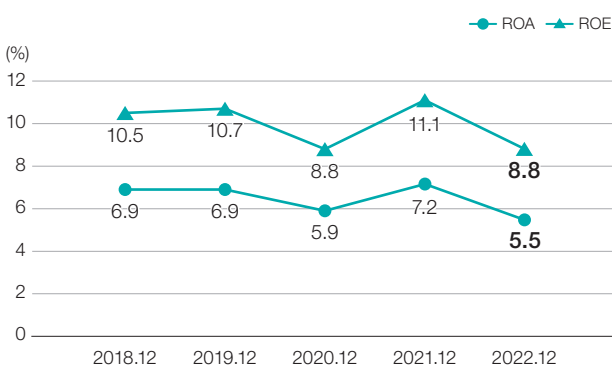
Capital Expenditures



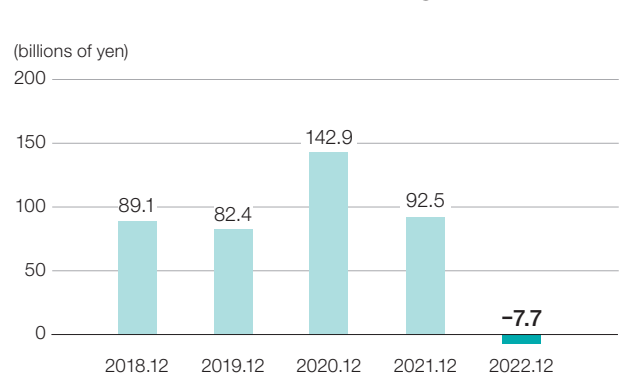
R&D Expenses and the Ratio of R&D Expenses to Revenue



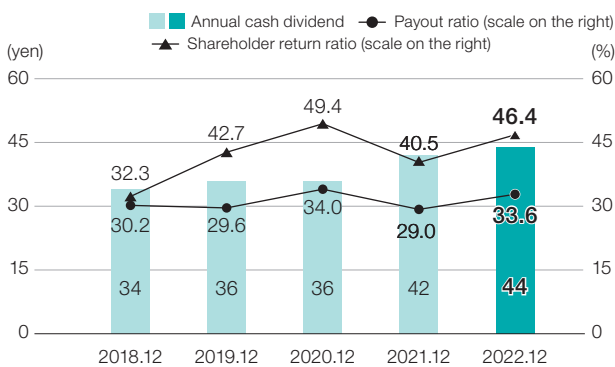
ROA and ROE



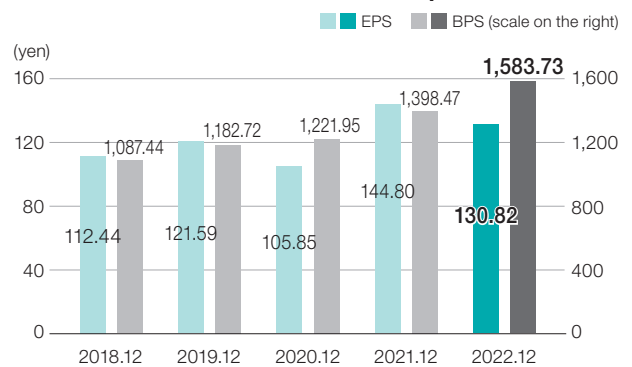
Net Cash Provided by Operating Activities



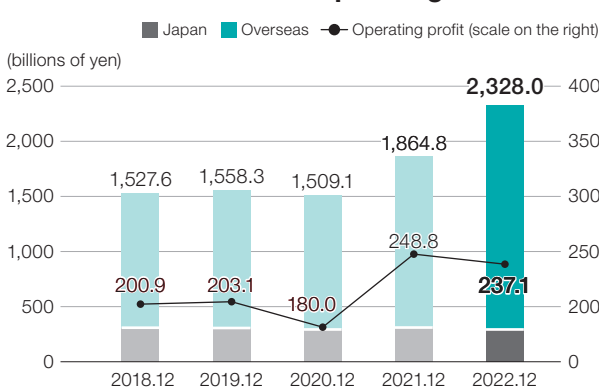
Annual Cash Dividend Per Share, Payout Ratio, and Shareholder Return Ratio



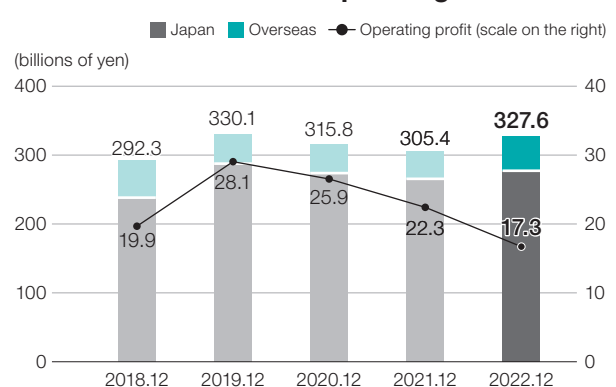
Basic Earnings per Share <EPS> and Equity Attributable to Owners of the Parent per Share <BPS>



[Farm & Industrial Machinery] Trends in Revenue and Operating Profit



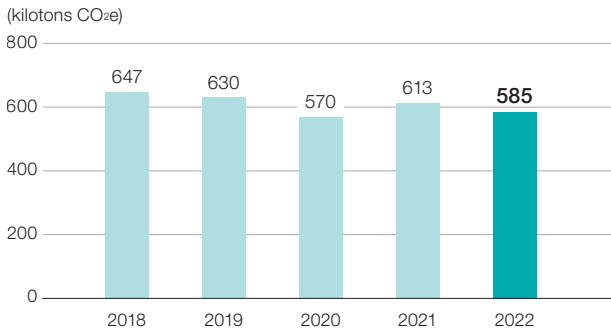
[Water & Environment] Trends in Revenue and Operating Profit



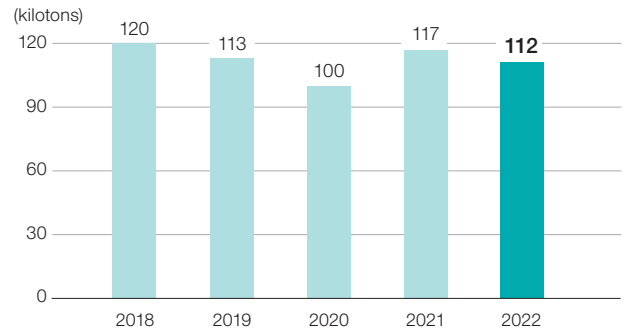
Non-financial Highlights

The following are excerpts from the Kubota Group’s key non-financial data over the past five years.

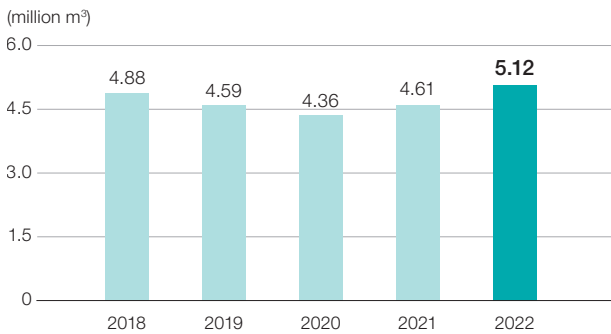
CO₂ Emissions* (Consolidated)



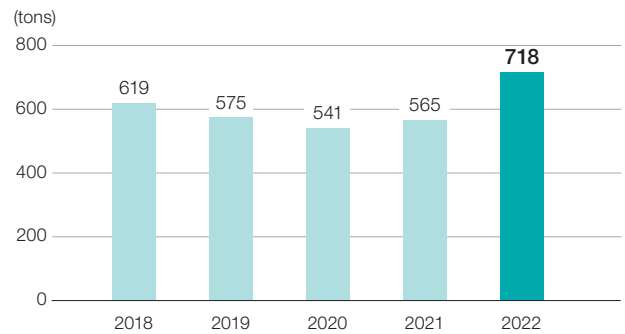
Waste Discharge* (Consolidated)



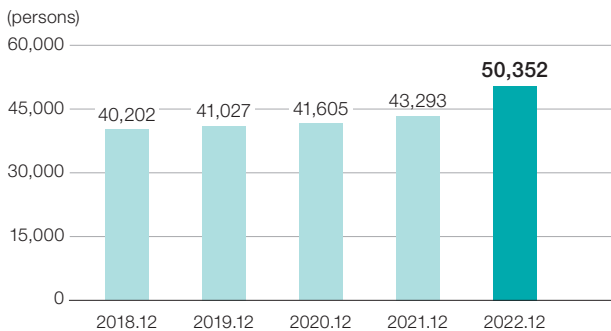
Water Withdrawal* (Consolidated)



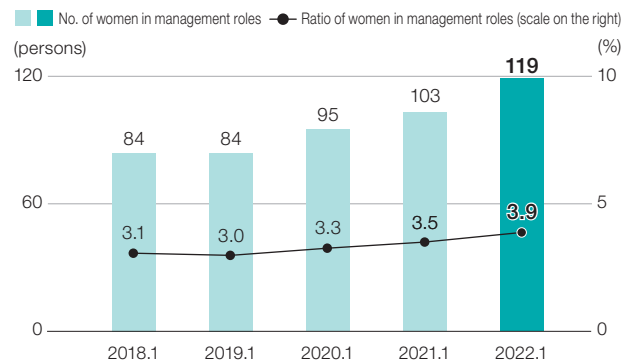
VOC (Volatile Organic Compound) Emissions* (Consolidated)



No. of Employees (Consolidated)

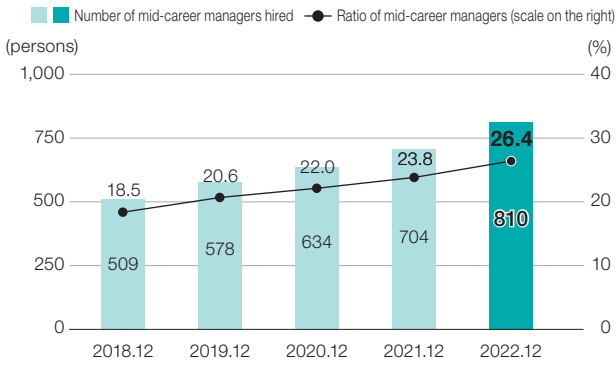


No. of Women in Management Roles (Non-consolidated)

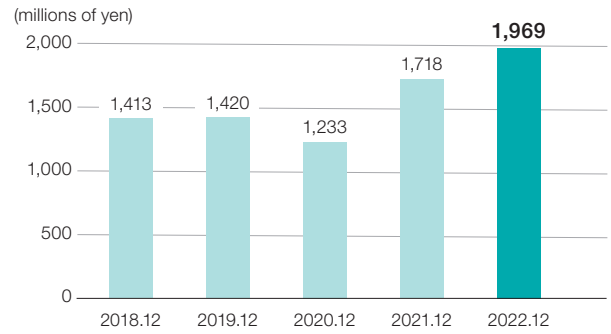


* For the reporting period for environmental data, see the Calculation Standards of Environmental Performance Indicators (p. 88 of ESG REPORT 2023).
 URL: <https://www.kubota.com/ir/financial/integrated>

Number of Mid-career Managers Hired (Non-consolidated)

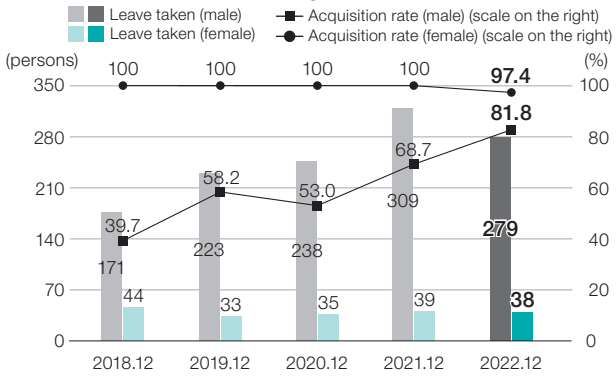


Human Resource Development Expenses (Non-consolidated)

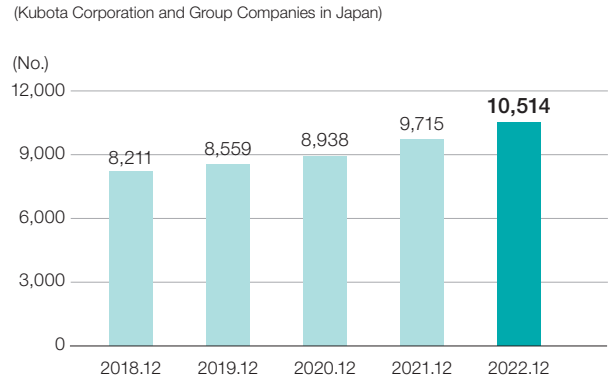


* Please refer to "Strategic provision of opportunities to learn" on pages 47-48 for details on human resource development.

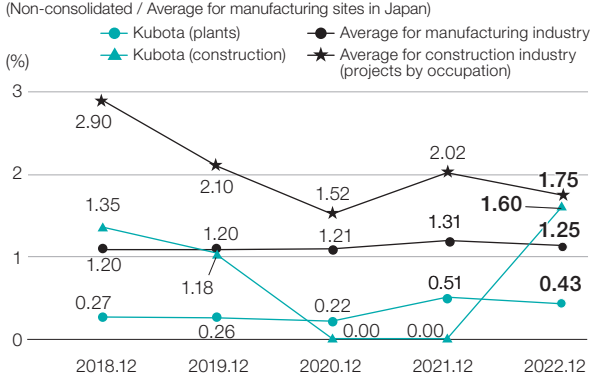
Number of Employees Taking Childcare Leave (Non-consolidated)



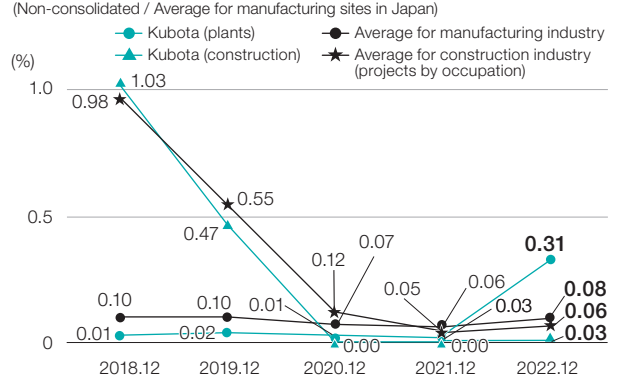
No. of Patents/New Utility Models Possessed



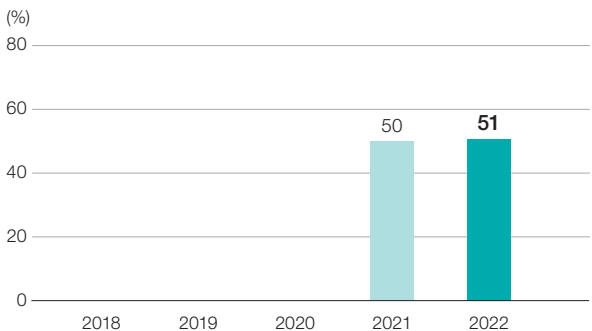
Lost Time Injury Frequency Rate



Severity Rate

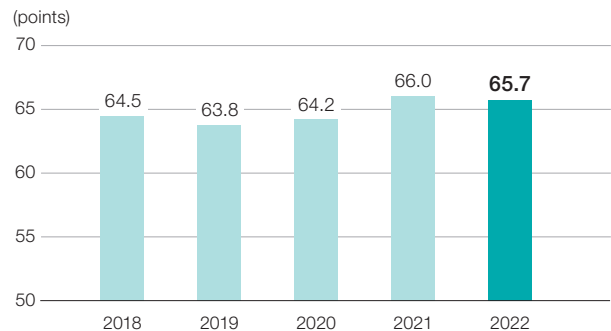


Engagement Score (Non-consolidated / employees for general positions)



* Engagement survey started in fiscal 2021. See page 86 of INTEGRATED REPORT for details.

Overall Customer Satisfaction with Dealer Where Purchased (Japan, agricultural machinery)



* "Points" on this graph denote the percentage of customers in Japan who purchased new tractors, riding rice transplanters, and combines that responded positively about their overall satisfaction level toward the store where they made their purchase, according to a survey conducted by the Dealer's Direct Management Unit.






Corporate Information

External Evaluations and Praise


Inclusion in ESG Indices

The Kubota Group has been highly evaluated for its ESG initiatives and selected as a constituent of multiple ESG indices in Japan and overseas. In addition to the Asia Pacific Index of the Dow Jones Sustainability Indices (DJSI), which is a global ESG investment index, and the ESG Investment Index* adopted by the Government Pension Investment Fund (GPIF), Kubota has been selected as a constituent of the following indices.

ESG Comprehensive Indices

 <p>MSCI ESG Ratings</p> <p>Member of Dow Jones Sustainability Indices</p> <p>Powered by the S&P Global CSA</p> <p>Dow Jones Sustainability Indices</p>	 <p>2022 MSCI ESG Leaders Indexes Constituent</p> <p>MSCI ESG Leaders Indexes</p> <p>2022 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX</p> <p>MSCI Japan ESG Select Leaders Index*</p>	 <p>FTSE4Good</p> <p>FTSE4Good Index Series</p> <p>2022 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)</p> <p>2022 CONSTITUENT MSCI Japan Empowering Women Index (WIN)*</p>
 <p>FTSE Blossom Japan</p> <p>FTSE Blossom Japan Index*</p>	 <p>Corporate ESG Performance</p> <p>ISS ESG Prime</p> <p>ISS-oekom Corporate Rating</p>	

Environment Themed Index



S&P/JPX Carbon Efficient Index Series*

* MSCI indexes, logos, and trademarks, etc.

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(As of June 1, 2023)

Certifications and Prizes



Selected as a **Zero Emissions Challenge** company for promoting innovation to realize a decarbonized society.



Recognized as a **DX-certified operator** based on a Ministry of Economy, Trade and Industry program



Renewed our Eco-First Commitment pledge in December 2021, certified once again by Japanese Ministry of the Environment as an **Eco-First Company**

- ① **OPTIMA Smart Sprayer**
Technical Innovation Award-winning orchard pesticide sprayer at EIMA2022, Europe's largest agricultural machinery exhibition

OPTIMA is a tractor-towed implement (agricultural machinery) that sprays pesticides on apple and other fruit trees in a precise manner. Equipped with a function that detects crop density and the presence of pests and diseases, this machine can control spray direction, spray volume, etc. in real time. The award was granted in recognition of its capability to reduce pesticide usage by up to 45% and drift by up to 60%, thereby reducing environmental impact.



- ② **The KSAS-compatible combine harvester with a sensor to measure taste and yield and the KSAS-compatible rice transplanter with an electric fertilizer volume control unit qualified for the "Green Investment Promotion Tax Credit"**

Our products, "KSAS-compatible combine harvester with a taste and yield sensor" and "KSAS-compatible rice transplanter with an electric fertilizer volume control unit" have been recognized for their contribution to reducing environmental impact through appropriate fertilizer application in paddy fields and selected as eligible machinery for the "Green Investment Promotion Tax Credit" provided by the Ministry of Agriculture, Forestry and Fisheries. Agricultural producers who install related machinery will be eligible for a special depreciation of 32% of the acquisition cost.



KSAS-compatible combine harvester with a taste and yield sensor



KSAS-compatible rice transplanter with an electric fertilizer volume control unit

Corporate Data (as of December 31, 2022)

Corporate name: Kubota Corporation
 Established: 1890
 Capital: ¥84.1 billion
 Total number of shares issued: 1,191,006,846
 Number of shareholders: 96,282
 Revenue (consolidated): ¥2,678.8 billion
 Employees (consolidated): 50,352
 Global network: Over 120 countries
 Overseas revenue ratio: 78%

Head Office
 2-47, Shikitsuhigashi 1-chome, Naniwa-ku, Osaka 556-8601 Japan
 Tel. +81-6-6648-2111

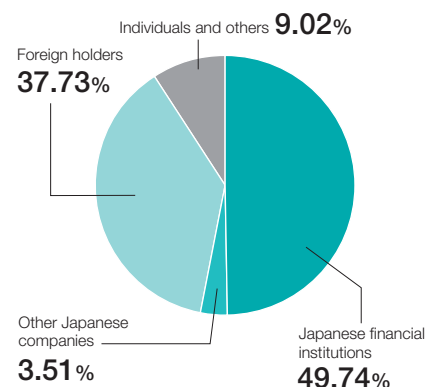
Tokyo Head Office
 1-3, Kyobashi 2-chome, Chuo-ku, Tokyo 104-8307 Japan
 Tel. +81-3-3245-3111

Share & Shareholder Information (as of December 31, 2022)

Shareholder Categorized Distribution

Basic share information

Fiscal year	January 1 to December 31
General Meeting of Shareholders	Held each March
Record date	General Meeting of Shareholders: December 31 Year-end dividend: December 31 Interim dividend: June 30
No. of shares constituting one share unit	100 shares
Shareholder register agent	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo
Contact details	Stock Transfer Agency Business Planning Dept. Sumitomo Mitsui Trust Bank, Limited 2-8-4, Izumi, Suginami-ku, Tokyo 168-0063 Tel. 0120-782-031 (toll-free)
Agent helpdesks	Sumitomo Mitsui Trust Bank, Limited head office or branches throughout Japan
Reporting method	Kubota website
Stock exchange	Tokyo Stock Exchange



Stock price trends over the past 10 years (January 1, 2013–December 31, 2022)



10 Largest Shareholders

	Shareholders	Number of shares held (thousand)	Percentage of issued shares (%)
1	The Master Trust Bank of Japan, Ltd. (Trust Account)	193,258	16.23
2	Nippon Life Insurance Company	62,542	5.25
3	Meiji Yasuda Life Insurance Company	59,929	5.03
4	Custody Bank of Japan, Ltd. (Trust Account)	52,411	4.40
5	Sumitomo Mitsui Banking Corporation	36,006	3.02

	Shareholders	Number of shares held (thousand)	Percentage of issued shares (%)
6	Mizuho Bank, Ltd.	31,506	2.65
7	Moxley and Co LLC	27,998	2.35
8	SMBC Nikko Securities Inc.	23,596	1.98
9	Bnym Treaty Dtt 15	20,378	1.71
10	State Street Bank West Client – Treaty 505234	18,358	1.54

KUBOTA Corporation

1-2-47 Shikitsu-higashi, Naniwa-ku,
Osaka 556-8601, Japan

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