

[Translation]

Annual Securities Report

(The 131st Business Term)

From January 1, 2020 to December 31, 2020

2-47, Shikitsuhigashi 1-chome, Naniwa-ku, Osaka, JAPAN

Kubota Corporation

TABLE OF CONTENTS

Cover

1. Overview of the Company	1
1. Key Financial Data	1
2. History.....	3
3. Description of Business	4
4. Information on Affiliates	7
5. Employees	10
2. Business Overview	11
1. Business Issues to Address	11
2. Risk Factors	12
3. Analysis of Consolidated Financial Position, Results of Operations, and Cash Flows by Managements.	15
4. Material Contracts	19
5. Research and Development (R&D)	19
3. Property, Plant, and Equipment	22
1. Summary of Capital Investment	22
2. Major Property, Plant, and Equipment	23
3. Plans for Capital Investment and Disposals of Property, Plant, and Equipment	25
4. Information on Kubota Corporation	27
1. Information on the Shares of Kubota Corporation	27
2. Information on Acquisition of Treasury Shares.....	31
3. Dividend Policy	32
4. Corporate Governance.....	32
5. Stock-Related Administration of Kubota Corporation	59
6. Reference Information on Kubota Corporation	60
1. Information on Parent Company of Kubota Corporation	60
2. Other Reference Information	60
Consolidated Financial Statements	F-1
Independent Auditor's Report (filed under the Financial Instruments and Exchange Act of Japan) (Translation)	A-1
Confirmation Letter (Translation)	A-5
Management's Report on Internal Control over Financial Reporting (Translation)	A-7

COVER

[Document Filed]	Annual Securities Report (“Yukashoken Hokokusho”)
[Applicable Law]	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed to]	Director, Kanto Local Finance Bureau
[Filing Date]	March 19, 2021
[Fiscal Year]	131 st Business Term (from January 1, 2020 to December 31, 2020)
[Company Name]	Kabushiki Kaisha Kubota
[Company Name in English]	Kubota Corporation
[Title and Name of Representative]	Yuichi Kitao, President and Representative Director
[Address of Head Office]	2-47, Shikitsuhigashi 1-chome, Naniwa-ku, Osaka, JAPAN
[Phone Number]	+81-6-6648-2111
[Contact Person]	Setsuo Harashima, General Manager of Accounting Dept.
[Contact Address]	Kubota Corporation, Tokyo Head Office 1-3, Kyobashi 2-chome, Chuo-ku, Tokyo, JAPAN
[Phone Number]	+81-3-3245-3111
[Contact Person]	Tamaki Kunimasa, General Manager of Tokyo Administration Dept.
[Place Where Available for Public Inspection]	Kubota Corporation, Tokyo Head Office (1-3, Kyobashi 2-chome, Chuo-ku, Tokyo, JAPAN) Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabuto-cho, Chuo-ku, Tokyo, JAPAN)

This is an English translation of the original Annual Securities Report (“Yukashoken Hokokusho”) filed with the Director of the Kanto Local Finance Bureau via Electronic Disclosure for Investors’ NETwork (“EDINET”) pursuant to the Financial Instruments and Exchange Act of Japan.

The translations of the Independent Auditor’s Report (filed under the Financial Instruments and Exchange Act of Japan), the Confirmation Letter, and Management’s Report on Internal Control over Financial Reporting for the original Annual Securities Report are included at the end of this document.

For the purposes of this Annual Securities Report, the “Company” refers to Kubota Corporation and its subsidiaries unless context indicates otherwise.

References in this document to the *Financial Instruments and Exchange Act of Japan* are to the Financial Instruments and Exchange Act of Japan and other laws and regulations amending and/or supplementing the Financial Instruments and Exchange Act of Japan.

Cautionary Statement with Respect to Forward-Looking Statements

This document may contain forward-looking statements that are based on management’s expectations, estimates, projections, and assumptions. These statements are not guarantees of future performance and involve certain risks and uncertainties which are difficult to predict. Therefore, actual future results may differ materially from what is forecasted in forward-looking statements due to a variety of factors, including, without limitation: general economic conditions in the Company’s markets, particularly government agricultural policies; levels of capital expenditures both in public and private sectors; foreign currency exchange rates; the occurrence of natural disasters; continued competitive pricing pressures in the marketplace; and the Company’s ability to continue to gain acceptance regarding its products.

1. Overview of the Company

1. Key Financial Data

Business term		IFRS				Transition date
		131 st Business term	130 th Business term	129 th Business term	128 th Business term	
Fiscal year		December 2020	December 2019	December 2018	December 2017	January 1, 2017
Revenue	(millions of yen)	1,853,234	1,920,042	1,850,316	1,751,038	—
Profit before income taxes	(millions of yen)	185,899	209,022	197,230	214,007	—
Profit attributable to owners of the parent	(millions of yen)	128,524	149,061	138,595	134,160	—
Comprehensive income attributable to owners of the parent	(millions of yen)	96,656	167,048	87,544	148,460	—
Equity attributable to owners of the parent	(millions of yen)	1,476,039	1,442,837	1,339,850	1,291,094	1,193,765
Total equity	(millions of yen)	1,574,185	1,537,214	1,426,433	1,375,568	1,267,074
Total assets	(millions of yen)	3,189,317	3,139,318	2,895,655	2,832,364	2,633,780
Equity attributable to owners of the parent per share	(yen)	1,221.95	1,182.72	1,087.44	1,046.55	962.17
Earnings per share attributable to owners of the parent:						
Basic	(yen)	105.85	121.59	112.44	108.45	—
Diluted	(yen)	—	—	112.44	—	—
Ratio of equity attributable to owners of the parent to total assets	(%)	46.3	46.0	46.3	45.6	45.3
Ratio of profit attributable to owners of the parent to equity attributable to owners of the parent	(%)	8.8	10.7	10.5	10.8	—
Price earnings ratio	(times)	21.27	14.20	13.89	20.37	—
Net cash provided by operating activities	(millions of yen)	142,919	82,410	89,148	137,185	—
Net cash used in investing activities	(millions of yen)	(47,133)	(91,470)	(58,756)	(45,984)	—
Net cash used in financing activities	(millions of yen)	(68,354)	(21,515)	(27,816)	(32,575)	—
Cash and cash equivalents, at the end of the year	(millions of yen)	222,919	199,665	229,123	230,720	169,416
Number of employees (Average number of part-time employees)	(number of persons)	41,605 (2,699)	41,027 (2,880)	40,202 (3,004)	39,410 (3,031)	38,291 (—)

(Notes)

- Beginning with the 129th business term, the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).
- Revenues do not include consumption taxes.
- Amounts less than presentation units are rounded.
- Earnings per share attributable to owners of the parent—Diluted* for the years ended December 31, 2017, 2019 and 2020 are not stated because Kubota Corporation did not have potentially dilutive common shares that were outstanding during those years.

Business term		U.S. GAAP	
		128 th	127 th
		Business term	Business term
Fiscal year		December 2017	December 2016
Revenues	(millions of yen)	1,751,535	1,596,091
Income before income taxes and equity in net income of affiliated companies	(millions of yen)	212,901	196,971
Net income attributable to Kubota Corporation	(millions of yen)	136,445	132,485
Comprehensive income	(millions of yen)	166,441	112,599
Kubota Corporation shareholders' equity	(millions of yen)	1,301,345	1,198,761
Total equity	(millions of yen)	1,385,435	1,271,925
Total assets	(millions of yen)	2,853,930	2,670,582
Kubota Corporation shareholders' equity per common share	(yen)	1,054.86	966.19
Net income attributable to Kubota Corporation per common share:			
Basic	(yen)	110.30	106.58
Diluted	(yen)	—	—
Kubota Corporation shareholders' equity ratio	(%)	45.6	44.9
Return on equity	(%)	10.9	11.3
Price earnings ratio	(times)	20.03	15.65
Net cash provided by operating activities	(millions of yen)	222,288	184,978
Net cash used in investing activities	(millions of yen)	(130,339)	(167,525)
Net cash provided by (used in) financing activities	(millions of yen)	(32,575)	11,364
Cash and cash equivalents, end of period	(millions of yen)	230,720	169,416
Number of employees (Average number of part-time employees)	(number of persons)	39,410 (3,031)	38,291 (3,280)

(Notes)

1. The consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") until the 128th business term.
2. Revenues do not include consumption taxes.
3. Amounts less than presentation units are rounded.
4. *Net income attributable to Kubota Corporation per common share—Diluted* is not stated because Kubota Corporation did not have potentially dilutive common shares that were outstanding during the period.

2. History

Month/Year	History
Feb. 1890	Founder Gonshiro Kubota established Kubota Tekko-jo in Okuraato-cho, Minami-ku, Osaka, JAPAN and started manufacturing and sales of various cast metal products.
Jul. 1893	Started production of cast iron pipes for water supply.
Feb. 1922	Started production of compact engines for agro-industrial purposes.
Feb. 1927	Acquired Sumidagawa Seitetsuzuyo K.K. and expanded the cast iron pipes business.
Dec. 1930	Established K.K. Kubota Tekko-jo and K.K. Kubota Tekko-jo Machinery Department.
Mar. 1937	Consolidated K.K. Kubota Tekko-jo Machinery Department with K.K. Kubota Tekko-jo.
Nov. 1937	Established Sakai Plant and started mass-production of engines for agro-industrial purposes.
Oct. 1940	Established Mukogawa Plant and expanded the industrial machinery business, and started production of casting of centrifugal cast-iron pipes the following October.
May. 1949	Listed on the Tokyo Stock Exchange and Osaka Securities Exchange (integrated with Tokyo Stock Exchange in Jul. 2013).
Aug. 1950	Adopted divisionalized organization by product.
Dec. 1952	Started production of pumps in Mukogawa Machinery Plant.
Jun. 1953	Changed corporate name to Kubota Tekko K.K.
Apr. 1954	Established a plant for vinyl pipes and started full production of plastic pipes.
Nov. 1957	Established Kubota Kenzai Kogyo K.K. and advanced into the housing materials business.
Dec. 1960	Established Funabashi Plant (relocated from Sumidagawa Plant) and completed a mass-production system of cast iron pipes.
May. 1961	Established Water Laboratory. Also established the Water Treatment Division for full-scale entry into the environmental improvement business the following December.
May. 1962	Established Hirakata machinery Plant and Hirakata steel casting Plant and completed building an integrated system for industrial machinery and steel casting products.
Jan. 1967	Established Odawara Plant. Absorbed manufacturing sector of Kubota Kenzai Kogyo K.K. for full-scale entry into the housing materials business in June of the same year.
May. 1969	Established Utsunomiya Plant and completed a mass-production system of rice transplanters and reaper binders.
Jun. 1972	Absorbed Kanto Daikei Koukan K.K. Changed its name to Ichikawa Plant and continued to manufacture spiral welded steel pipes.
Sep. 1972	Established Kubota Tractor Corporation in the U.S. and strengthened the selling system of tractors in North America.
Sep. 1973	Established Kyuhoji Plant as a plant for precision equipment by relocating manufacturing facilities from Funademachi Plant.
Mar. 1974	Established Kubota Tractor Europe S.A. (currently Kubota Europe S.A.S.) in France and strengthened the selling system for farm equipment in Europe.
Aug. 1975	Established Tsukuba Plant as a specialized mass production factory for tractors.
Nov. 1976	Listed on the New York Stock Exchange (delisted from it in Jul. 2013).
Apr. 1980	Established Kashima Plant as a specialized factory for siding materials.
Jan. 1985	Established Sakai-Rinkai Plant in Sakai Plant as a specialized factory for engines.
Apr. 1990	Changed its corporate name to Kubota Corporation.
Oct. 2002	Established Hanshin Office as a hub for environmental engineering in the Kansai area.
Dec. 2003	Separated the housing materials business and Kubota Matsushitadenko Exterior Works, Ltd. (currently KMEW Co., Ltd.), took over its business.
Aug. 2004	Acquired additional shares of The Siam Kubota Industry Co., Ltd. (currently SIAM KUBOTA Corporation Co., Ltd.), which had been an affiliate in Thailand, to make it a consolidated subsidiary and strengthened development, manufacturing, and sales of farm equipment in Southeast Asia.
Apr. 2005	Established Kubota-C.I. Co., Ltd. by business integration of plastic pipes with C.I. Kasei Co., Ltd. (currently Kubota ChemiX Co., Ltd.).
Sep. 2007	Established Siam Kubota Tractor Co., Ltd. (currently SIAM KUBOTA Corporation Co., Ltd.) as a manufacturing base for tractors in Thailand.
Dec. 2009	Established Kubota Saudi Arabia Company, LLC as a hub for the steel casting business in Saudi Arabia.
Mar. 2012	Acquired ownership interest in Kverneland ASA (currently Kverneland AS), a manufacturer of upland farming implements in Norway, and made it a consolidated subsidiary.
Dec. 2013	Established Kubota Farm Machinery Europe S.A.S. in France as a manufacturing base for upland farming tractors.
Jul. 2016	Acquired ownership interest in Great Plains Manufacturing, Inc., a manufacturer of implements in the U.S., and made it a consolidated subsidiary.

3. Description of Business

The Company is comprised of Kubota Corporation and 185 affiliates (as of December 31, 2020, 172 subsidiaries and 13 equity method affiliates) and engages in various fields of business and industry by providing products and services which are categorized into three segments: Farm & Industrial Machinery, Water & Environment, and Other as of December 31, 2020.

The Company's consolidated financial statements are prepared in accordance with IFRS. Subsidiaries and equity method affiliates included in the scope of consolidation are defined in accordance with these accounting principles. The same applies to 2. *Business Overview*, and 3. *Property, Plant, and Equipment*.

Beginning with the current consolidated fiscal year, in conformity with the change in the business reporting structure of the Company, the amounts related to "Air-conditioning equipment" are reported in the "Water & Environment" segment, whereas they were formerly reported in the "Farm & Industrial Machinery" segment.

The businesses and roles of the Company by reporting segment are as follows:

(1) Farm & Industrial Machinery

Farm & Industrial Machinery mainly engages in manufacturing and sales of products which are comprised of farm equipment, agricultural-related products, engines, and construction machinery.

1) Main Products

Farm equipment and agricultural-related products	Tractors, Power tillers, Combine harvesters, Rice transplanters, Turf equipment, Utility vehicles, Other agricultural machineries, Implements, Attachments, Post-harvest machineries, Vegetable production equipment, Other equipment for agricultural use, Cooperative drying facilities, Rice seedling facilities, Rice mill plants, Gardening facilities, Scales, Weighing and measuring control systems, and Air purifier with humidification function
Engines	Engines (for farming, construction, industrial machinery, and generators)
Construction machinery	Mini excavators, Wheel loaders, Compact track loaders, Skid steer loaders, and Other construction machinery-related products

2) Main Affiliates

(Manufacturing and Sales)

- (Overseas) Kubota Manufacturing of America Corporation
Kubota Industrial Equipment Corporation
Great Plains Manufacturing, Inc. and its 18 subsidiaries
Kubota Farm Machinery Europe S.A.S.
Kubota Baumaschinen GmbH
Kverneland AS and its 34 affiliates
Kubota Agricultural Machinery (SUZHOU) Co., Ltd.
SIAM KUBOTA Corporation Co., Ltd.
KUBOTA Engine (Thailand) Co., Ltd.

(Sales and Other Services)

- (Domestic) 13 farm equipment sales companies including Hokkaido Kubota Corporation
KUBOTA Construction Machinery Japan Corporation
- (Overseas) Kubota North America Corporation
Kubota Tractor Corporation
Kubota Engine America Corporation
Kubota Canada Ltd.
Kubota Holdings Europe B.V.
Kubota Europe S.A.S.
Kubota (Deutschland) GmbH
Kubota (U.K.) Ltd.
Kubota Australia Pty Ltd.

(Financial Leasing)

(Domestic) Kubota Credit Co., Ltd.

(Overseas) Kubota Credit Corporation, U.S.A.
Siam Kubota Leasing Co., Ltd.

(2) Water & Environment

Water & Environment mainly engages in manufacturing and sales of pipe- and infrastructure-related products (ductile iron pipes, plastic pipes, valves, industrial casting, ceramics, spiral welded steel pipes, air-conditioning equipment and other products) and environment-related products (environmental control plants, pumps, valves for private sector and other products).

1) Main Products

Pipe- and Infrastructure-related products	Ductile iron pipes, Plastic pipes, Valves, Single stack drain fittings, Design and construction of construction works, Reformer and cracking tubes, Hearth rolls, Rolls for steel mills, Ceramics, TXAX (friction materials), Spiral welded steel pipes (steel pipe piles, steel pipe sheet piles) and Air-conditioning equipment
Environment-related products	Waste water treatment equipment and plants, Pumps and plants, Membrane solutions, Water purification plants, Night-soil treatment plants, Waste incinerating and melting plants, Waste shredding and sorting plants, Flue gas desulfurization apparatus, Membrane methane fermentation plants, Wastewater treatment plant (Johkasou), Bathtubs, and Valves for private sector

2) Main Affiliates

(Manufacturing and Sales)

(Domestic) Kubota ChemiX Co., Ltd.
NIPPON PLASTIC INDUSTRY CO., LTD.
Kubota Air Conditioner, Ltd.

(Overseas) Kubota Materials Canada Corporation
Kubota Saudi Arabia Company, LLC

(Maintenance and Repair)

(Domestic) Kubota Environmental Service Co., Ltd.

(Design and Construction)

(Domestic) Kubota Construction Co., Ltd.

(3) Other

Other mainly engages in offering a variety of other services.

1) Main Products

Other	Services, such as logistics, financing, and roofing and siding materials
-------	--

2) Main Affiliates

(Manufacturing and Sales)

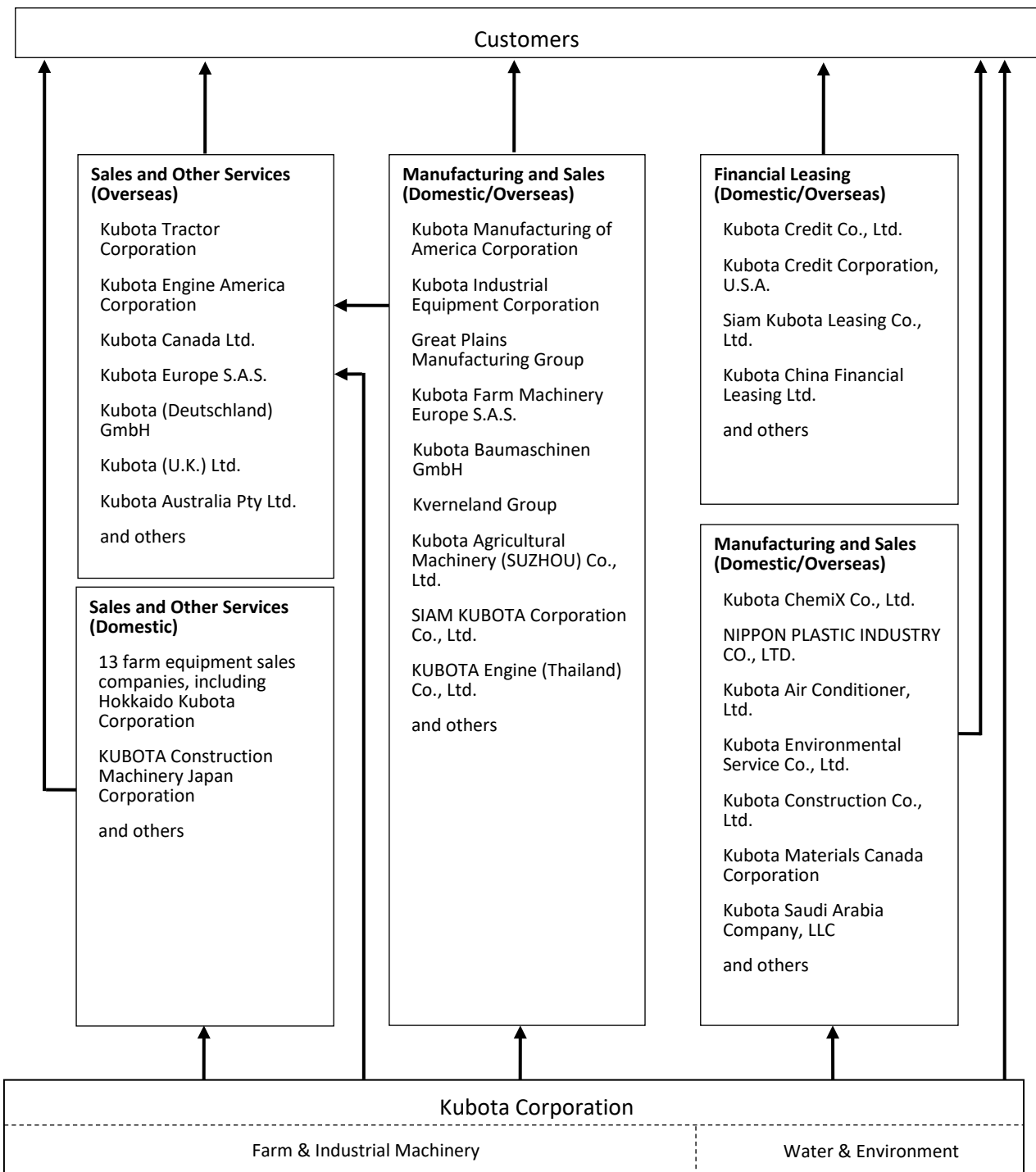
(Domestic) KMEW Co., Ltd.

(Other Services)

(Domestic) KUBOTA LOGISTICS Corporation

(Overseas) Kubota China Holdings Co., Ltd.,
Kubota China Financial Leasing Ltd.

(Business distribution diagram)



4. Information on Affiliates

(As of December 31, 2020)

Company name (Subsidiaries)	Location	Common stock (millions of yen)	Principal business activities	Ownership	Relationship
				percentage of voting rights (%)	Business transaction, etc.
6 domestic farm equipment sales companies, including Hokkaido Kubota Corporation	Nishi-ku, Sapporo, JAPAN, etc.	100	Sales of farm equipment, etc.	84.7	Lease of facilities from Kubota Corporation and sales of Kubota Corporation's products
KUBOTA Construction Machinery Japan Corporation	Naniwa-ku, Osaka, JAPAN	300	Sales of construction machinery, etc.	100.0	Lease of facilities from Kubota Corporation and sales of Kubota Corporation's products
Kubota Credit Co., Ltd.	Naniwa-ku, Osaka, JAPAN	500	Retail financing to purchasers of farm equipment and related products	(22.9) 77.8	Loans from Kubota Corporation, lease of facilities from Kubota Corporation, credit guarantees, and interlocking Directors
KUBOTA Seiki Co., Ltd.	Mihara-ku, Sakai, JAPAN	480	Manufacturing and sales of hydraulic equipment	100.0	Material supplies to Kubota Corporation
Kubota Machinery Trading Co., Ltd.	Naniwa-ku, Osaka, JAPAN	30	Export and import of repair parts related to farm equipment, engines, and construction machinery	100.0	Lease of facilities from Kubota Corporation and material supplies to Kubota Corporation
Kubota Engine Japan Corporation	Naniwa-ku, Osaka, JAPAN	310	Sales, service, and engineering of industrial engines	100.0	Lease of facilities from Kubota Corporation and sales of Kubota Corporation's products
Kubota North America Corporation (Note 3)	Delaware, U.S.A.	(thousands of USD) 597,100	Administration of subsidiaries in North America	100.0	Interlocking Directors
Kubota Tractor Corporation (Note 3) (Note 4)	Texas, U.S.A.	(thousands of USD) 37,000	Sales of tractors, outdoor power equipment, construction machinery, and implements	(100.0) 100.0	Sales of Kubota Corporation's products and interlocking Directors
Kubota Credit Corporation U.S.A.	Texas, U.S.A.	(thousands of USD) 8,000	Retail financing to purchasers of tractors, outdoor power equipment, construction machinery, and implements	(90.0) 100.0	Interlocking Directors
Kubota Manufacturing of America Corporation	Georgia, U.S.A.	(thousands of USD) 10,900	Manufacturing of tractors and outdoor power equipment	(100.0) 100.0	Interlocking Directors
Kubota Industrial Equipment Corporation	Georgia, U.S.A.	(thousands of USD) 70,000	Manufacturing of implements, tractors, and construction machinery	(100.0) 100.0	Interlocking Directors
Kubota Engine America Corporation	Illinois, U.S.A.	(thousands of USD) 10,000	Sales, engineering, and after-sales service of engines, engine parts, and engine accessories	(100.0) 100.0	Sales of Kubota Corporation's products and interlocking Directors
Kubota Insurance Corporation	Hawaii, U.S.A.	(thousands of USD) 2,000	Underwriting non-life insurance in the U.S.	(100.0) 100.0	Interlocking Directors
Great Plains Manufacturing, Inc. and its 18 subsidiaries	Kansas, U.S.A.	(thousands of USD) 90	Manufacturing and sales of implements	(100.0) 100.0	Interlocking Directors
Kubota Canada Ltd.	Ontario, CANADA	(thousands of CAD) 6,000	Sales of tractors, outdoor power equipment, construction machinery, and implements	100.0	Sales of Kubota Corporation's products and interlocking Directors

Kubota Holdings Europe B.V. (Note 3)	Noord-Holland, NETHERLANDS	(thousands of EUR) 532,788	Administration of subsidiaries in Europe	100.0	Loans from Kubota Corporation and Interlocking Directors
Kubota Europe S.A.S.	Val-d'Oise, FRANCE	(thousands of EUR) 56,767	Sales of construction machinery, tractors, outdoor power equipment, and engines	(100.0) 100.0	Sales of Kubota Corporation's products and interlocking Directors
Kubota Farm Machinery Europe S.A.S.	Nord, FRANCE	(thousands of EUR) 57,000	Manufacturing of upland farming tractors	(100.0) 100.0	
Kubota Baumaschinen GmbH	Rhineland-Palatinate, GERMANY	(thousands of EUR) 14,316	Manufacturing and sales of construction machinery	(100.0) 100.0	Purchase of Kubota Corporation's products
Kubota (Deutschland) GmbH	Hessen, GERMANY	(thousands of EUR) 3,579	Sales of tractors, outdoor power equipment, and engines	(100.0) 100.0	Sales of Kubota Corporation's products and interlocking Directors
Kubota (U.K.) Ltd.	Oxfordshire, U.K.	(thousands of GBP) 2,000	Sales of construction machinery, tractors, outdoor power equipment, and engines	(100.0) 100.0	Sales of Kubota Corporation's products
Kverneland AS and its 33 subsidiaries	Rogaland, NORWAY	(thousands of EUR) 53,090	Manufacturing and sales of agricultural implements	(100.0) 100.0	Interlocking Directors
SIAM KUBOTA Corporation Co., Ltd. (Note 3)	Pathumthani, THAILAND	(thousands of THB) 2,739,000	Manufacturing and sales of tractors, combine harvesters, implements, and horizontal type diesel engines, Sales of construction machinery	60.0	Purchase of Kubota Corporation's products and interlocking Directors
Siam Kubota Leasing Co., Ltd.	Pathumthani, THAILAND	(thousands of THB) 2,000,000	Retail financing to purchasers of tractors and combine harvesters, etc.	(100.0) 100.0	Interlocking Directors
KUBOTA Engine (Thailand) Co., Ltd.	Chachoengsao, THAILAND	(thousands of THB) 1,400,000	Manufacturing of vertical type diesel engines	100.0	Interlocking Directors
Kubota Agricultural Machinery (SUZHOU) Co., Ltd.	Jiangsu, CHINA	(thousands of CNY) 170,999	Manufacturing and sales of combine harvesters, rice transplanters, and tractors	(100.0) 100.0	Purchase of Kubota Corporation's products and interlocking Directors
Kubota Construction Machinery (Wuxi) Co., Ltd.	Jiangsu, CHINA	(thousands of CNY) 289,035	Manufacturing of construction machinery	(100.0) 100.0	Interlocking Directors
Kubota Korea Co., Ltd.	Seoul, KOREA	(thousands of KRW) 200,000	Sales of tractors, combine harvesters, rice transplanters, construction machinery, and engines	100.0	Sales of Kubota Corporation's products
Kubota Myanmar Co., Ltd.	Yangon, MYANMAR	(thousands of USD) 23,800	Sales of combine harvesters and tractors	(20.0) 100.0	Sales of Kubota Corporation's products and interlocking Directors
Kubota Australia Pty Ltd.	Victoria, AUSTRALIA	(thousands of AUD) 21,000	Sales of tractors, outdoor power equipment, construction machinery, and engines	100.0	Sales of Kubota Corporation's products
Kubota ChemiX Co., Ltd.	Naniwa-ku, Osaka, JAPAN	3,198	Manufacturing and sales of plastic pipes and fittings	100.0	Loans from Kubota Corporation, lease of facilities from Kubota Corporation, and interlocking Directors
Kubota Environmental Service Co., Ltd.	Chuo-ku, Tokyo, JAPAN	90	Operation, maintenance, design, construction, remodeling, repair, and modifying of water treatment facilities, sanitation facilities, and waste treatment facilities	100.0	Loans from Kubota Corporation, lease of facilities from Kubota Corporation, maintenance, remodeling and repair of facilities constructed by Kubota Corporation, and interlocking Directors

NIPPON PLASTIC INDUSTRY CO., LTD.	Komaki-shi, Aichi, JAPAN	175	Manufacturing and sales of plastic products	(67.0) 67.0	
Kubota Construction Co., Ltd.	Naniwa-ku, Osaka, JAPAN	400	Design and construction of water and sewage, civil engineering	100.0	Lease of facilities from Kubota Corporation, contracting and construction of Kubota Corporation's works, and interlocking Directors
Kubota Air Conditioner, Ltd.	Chuo-ku, Tokyo, JAPAN	400	Manufacturing, sales, and maintenance of air conditioning equipment for business use	100.0	Lease of facilities from Kubota Corporation
Kubota Materials Canada Corporation	Ontario, CANADA	(thousands of CAD) 15,000	Manufacturing and sales of cast steel products and TXAX products	100.0	Purchase of Kubota Corporation's products
Kubota Saudi Arabia Company, LLC	Ash Sharqiyah, SAUDI ARABIA	(thousands of SAR) 56,250	Manufacturing and sales of steel casting products, sales of pumps and valves, and maintenance of valves	51.0	Purchase of Kubota Corporation's products and debt guarantees
KUBOTA SYSTEMS INC.	Naniwa-ku, Osaka, JAPAN	400	Development of system, data processing service, and sales of hardware	100.0	Lease of facilities from Kubota Corporation, interlocking Directors, and development of system and data processing service
KUBOTA LOGISTICS Corporation	Naniwa-ku, Osaka, JAPAN	75	Management of logistics and logistics information service related to transportation, storage, cargo handling, and distribution processing	100.0	Lease of facilities from Kubota Corporation, and transportation and storage of Kubota Corporation's products
Heiwa Kanzai Co., Ltd.	Chuo-ku, Tokyo, JAPAN	50	Building maintenance, security guarding, and facility management	60.0	Lease of facilities from Kubota Corporation and contracting on building maintenance of Kubota Corporation
Kubota China Holdings Co., Ltd. (Note 3)	Shanghai, CHINA	(thousands of CNY) 1,701,861	Administration of subsidiaries in China	100.0	Interlocking Directors
Kubota China Financial Leasing Ltd.	Shanghai, CHINA	(thousands of CNY) 527,092	Finance leasing of construction machinery and farm equipment, and factoring service	(100.0) 100.0	Interlocking Directors
74 other companies					
(Equity method affiliates)					
7 domestic farm equipment sales companies, including Akita Kubota Corporation	Akita-shi, Akita, JAPAN, etc.	60	Sales of farm equipment, etc.	35.7	Lease of facilities from Kubota Corporation and sales of Kubota Corporation's products
KMEW Co., Ltd.	Chuo-ku, Osaka, JAPAN	8,000	Manufacturing and sales of roofing, siding materials, and rain gutters	50.0	Lease of facilities from Kubota Corporation and interlocking Directors
5 other companies					

(Notes)

1. There is no company which files an annual securities report.
2. The amounts in parentheses in the upper row of the *Ownership percentage of voting rights* column represent the percentage of voting rights owned by subsidiaries out of the total ownership percentage.
3. Specified companies under the Financial Instruments and Exchange Act of Japan.
4. Revenues of Kubota Tractor Corporation (excluding intercompany transfers) exceeded 10% of total consolidated revenue of the Company. Its major financial data for the year ended December 31, 2020 were: revenue, ¥441,232 million; income before income taxes, ¥34,224 million; and net income, ¥25,341 million; and at December 31, 2020 were: total equity, ¥215,908 million; and total assets, ¥379,933 million.

5. Employees

(1) Consolidated basis

(As of December 31, 2020)

Reporting segment	Number of employees	
Farm & Industrial Machinery	30,938	(2,228)
Water & Environment	7,255	(253)
Other	1,696	(218)
Corporate	1,716	(—)
Total	41,605	(2,699)

(Note)

The number of employees refers solely to full-time employees of the Company on a consolidated basis. In addition, the number in parentheses in the *Number of employees* column is the average number of part-time employees for the fiscal year.

(2) Kubota Corporation

(As of December 31, 2020)

Number of employees	Average age	Average length of service	Average annual salary
11,356	40.7	15.3 years	¥ 7,991,225

Reporting segment	Number of employees
Farm & Industrial Machinery	7,138
Water & Environment	2,502
Corporate	1,716
Total	11,356

(Notes)

1. The number of employees refers solely to full-time employees of Kubota Corporation.
2. Average annual salary includes bonuses and extra wages.

(3) Relationship with labor unions

The relationship between management and labor unions is quite stable and smooth.

2. Business Overview

1. Business Issues to Address

All forecast matters referred in the document were measured by the Company at the end of fiscal year 2020.

The Company's long-term goal is to become a Global Major Brand, or in other words a brand that can make the greatest social contribution as a result of being trusted by the largest number of customers. In order to accelerate the realization of this goal, the Company has created its long-term vision for 10 years from now, "GMB2030" and held up "Essentials Innovator for Supporting Life", 'Committed to a Prosperous Society and Cycle of Nature" as what the Company should be. The Company aims to achieve sustainable development over the long-term by making the greatest contribution to realization of a sustainable society through solutions to enhance the productivity and safety of food, solutions to promote the circulation of water resources and waste, and solutions to improve urban and living environments. This year, COVID-19 has spread around the world. Everything, not only our business environment, but also the lifestyle of people has completely changed. As society has started to change to overcome the impact of COVID-19, people have come to regard the activities of companies with care for the environment and society as more and more important. Under this situation, our business to support important social infrastructure such as "Food, Water and Environment" has stable demand as an essential businesses. On the other hand, in order to achieve long-term progress and increased corporate value, the Company recognizes the following matters which they need to react to and solve:

- 1) As society changes, CSR is gaining importance
- 2) The Company must seek and establish new business models for sustainable growth beyond a 10 year period, which match social problems and trends.
- 3) The Company must seize opportunities for expansion in existing businesses and make a stable base for further growth
- 4) Profit margins are on a downward trajectory due to intensifying competition and prior investment
- 5) As globalization of the business progresses, the business operation system is no longer in line with the needs of the Company.

In order to solve these problems, the Company has created the mid-term plan, which stretches from 2021 to 2025. The Company will carry out the following measures as a priority, in order to complete building the foundations of GMB2030 by 2025. In addition, the Company has set goals not only within revenue and operating profit, but also ROE, cash flows from operating activity, free cash flow, and so on in the mid-term plan.

(1) Shift to Business Operations That Position ESG at the Core of Management

The Company will place more emphasis on ESG than ever through its business activities in order to continue to be a sustainable company, as corporate social responsibility has gained importance. However, as a company that operates in the area of food, water and the environment and engages in reducing environmental impact and solving social problems through its business, the Company aims to increase its corporate value by materializing business-related activities rooted in the Kubota Global Identity (corporate principles) in addition to general initiatives linked to ESG.

The Company has established an organization under the direct control of its President to accelerate and strengthen these initiatives. The new organization will raise awareness of ESG throughout its Group and control various measures. In addition, the Company will make efforts to gain understanding and participation from all stakeholders for the Group's business and promote its own unique ESG initiatives by expanding and strengthening internal and external communications. As one of the most important themes that the Company will focus on, the Company aims to be carbon neutral by 2050. The Company aims to draw a blueprint by 2025 for achieving carbon neutrality by establishing a new division to promote the initiative.

(2) Initiatives to Secure Candidates of Growth Drivers for the Next Generation

To realize GMB2030, the Company will select areas for development and business cases from a long-term perspective and will allocate business resources in a planned and organized manner. In order to be innovative, the Company will rapidly build organizational structure and management operation around the process from selection of business cases to commercialization, and aims to secure multiple business models, products, services, and market candidates that will become next generation growth drivers by 2025. Furthermore, the Company will develop into a sustainable company that can adapt to changes and grow dramatically by commercializing them over the next 5 years.

(3) Promotion of Business Strategies That Take Advantage of Growth Opportunities

In order to take on the challenge of realizing GMB2030, it is essential that existing businesses win the respect of the market and continue to grow steadily. Each business division will strongly implement necessary measures based on their scenarios for strengthening and growing businesses. In particular, the Company will position construction machinery business in North America and machinery businesses in ASEAN countries, which the Company has not entered or developed yet, and after-sales business such as after-market business of Farm & Industrial Machinery, environmental O&M business, and pipeline solutions as growth drivers for the future. The Company will steadily grow existing businesses by preferentially allocating business resources to them.

(4) Improvement of Profit Structure by Strengthening the Business Foundation in the Mid-term

In order to engage in Kubota's own unique ESG initiatives and realize GMB2030, it is necessary to invest in intangible assets such as intellectual property, human resources, and promotion of DX in addition to investments related to ESG such as countermeasures for various disaster risks, enhancement of the workplace environment, and improvement of human safety and product quality. The Company will generate capital through growing profitable businesses steadily, building profitable business structures, and streamlining business operations thoroughly to carry out these investments without a decline in profit margin.

(5) Infrastructure Development That Supports Sustainable Growth

To reinforce infrastructure development which supports sustainable growth, the Company will promote reform of its business operational structure, undergo initiatives to secure and utilize human resources, and strengthen risk management.

With respect to the reform of the business operational structure, the Company aims to transform its structure in response to globalization. The Company will promote reform of production and procurement and build a management control system that the Company can appropriately utilize to manage its global businesses.

With respect to initiatives to secure and utilize human resources, considering globalization along with business expansion, the Company will develop its education system so that all employees perform at a higher level and implement concrete measures to make it possible to cultivate employees who are successful in the business' operations. In addition, the Company have launched a new project to address various issues that have emerged from COVID-19. The project will focus not only on work style reform but also on reform to realize a more rewarding work environment. Furthermore, the Company will also promote active appointment of local human resources and the development of human resources who are capable of playing an active role in the global operation.

With respect to strengthening risk management, while risks that threaten business continuity have diversified in recent years, the Company aims to develop and expand its organization in a way that actively develops countermeasures for BCP in response to natural disasters, pandemics, and geopolitical risks and responses to various other risks, such as compliance risks, cyber security risks, and other business risks..

(6) Promotion of DX as a Common Theme

The Company will bring about innovation to "products, services, and production sites," "business processes," and "communications and collaborations" by developing and utilizing a platforms that is the foundation for DX, such as ICT technology, big data, 5G, and AI. The Company will ensure the promotion of the aforementioned five priority measures by promotion of DX.

2. Risk Factors

The Company considers that the following risks may adversely affect the Company's results of operations and financial position. Forward-looking statements contained in this section are made based on the assumptions as of the current fiscal year end.

(1) Declines in economic conditions in the Company's major markets, including private-sector capital expenditures, construction investment, and domestic public investment, may adversely impact the results of

operations of the Company.

Industrial and capital goods make up a substantial portion of the Company's products. Accordingly, the Company may see reduced demand resulting from declines in general economic conditions, including private-sector capital expenditures, construction investment, and domestic public investment. In addition, the agricultural policies set by the national government may adversely affect domestic sales of agriculture-related products. In the overseas markets, especially those of North America and Europe, sales of the Company's products, such as utility/compact tractors, may decrease due to declines in general economic conditions, including private consumption and residential construction investment in those regions.

(2) If the prices of raw materials increase or the Company has difficulties in procuring adequate supplies of raw materials, there may be a material adverse effect on the Company's results of operations.

The Company purchases substantial raw materials and parts from outside suppliers. If the prices of raw materials substantially increase due to the supply and demand gap and changes in the market conditions and stay at high levels for a long time, they may have an adverse effect on the Company's profitability. Also, if the Company has difficulties in procuring adequate supplies of raw materials and parts, there may be a material adverse effect on the Company's results of operations due to difficulties in production and sales activities.

(3) The risks associated with international operations may adversely affect the Company's results of operations.

In some businesses of the Company, substantial overseas operations are conducted. Accordingly, the Company is subject to a number of risks inherent in conducting business in those markets. Such risks may cause the Company to face difficulties in stable production and sales of products in the overseas markets that may affect the Company's results of operations or which may hinder growth of the Company in specific countries. The following risks are serious concerns for the Company:

- 1) Unexpected changes in international or an individual country's tax regulations;
- 2) Unexpected legal or regulatory changes in a country;
- 3) Unexpected results of transfer pricing issues or negotiation for an advanced pricing agreement;
- 4) Unexpected changes in government policies for approvals and licenses or subsidy program in certain significant markets;
- 5) Unexpected changes in import and export duties and quotas over international trade following negotiation by governments;
- 6) Difficulties in retaining qualified personnel;
- 7) Lack of qualified technological skills in the workforce and instability between management and employee unions in developing countries; and
- 8) Political instability in those countries.

(4) Fluctuations in foreign currency exchange rates, in particular a stronger yen, may adversely affect the Company's results of operations and financial position.

The Company has overseas revenues and sales, manufacturing, and finance subsidiaries located in foreign countries which significantly contribute to the Company's results of operations and impact the Company's financial position. Since the transactions between Kubota Corporation and foreign subsidiaries and customers are generally denominated in local currency and also since the foreign subsidiaries' results of operations are prepared in local currency, fluctuations in foreign currency exchange rates, in particular a stronger yen against other currencies, may adversely affect the Company's results of operations and financial position. In order to minimize adverse effects from fluctuations in foreign currency exchange rates, the Company has been transferring its production bases to those countries and regions where its products are actually sold. Also, the Company enters into foreign exchange forward contracts, cross-currency swap contracts, and cross-currency interest rate swap contracts to mitigate its exposure to these risks. Despite the Company's efforts to mitigate such risks, fluctuations in foreign currency exchange rates may adversely affect the Company's consolidated results of operations and financial position.

(5) Interest rate hikes may have material adverse effects on the Company's results of operations.

Interest rate hikes may increase the Company's interest expenses, which could have a material adverse effect on the Company's results of operations.

(6) Stock market fluctuations may have a material adverse effect on the Company's results of operations and financial position.

Stock market declines may cause impairment losses on the Company's investments in marketable securities or cause an increase in actuarial losses on the Company's retirement and pension plans as a result of a decline in the fair value of plan assets. This could have a material adverse effect on the Company's results of operations and financial position.

(7) If strategic alliances, mergers, and acquisitions do not generate successful results as planned, then the Company's profitability may deteriorate.

The Company intends to use strategic alliances, mergers, and acquisitions to generate further growth. The success of these activities depends on factors such as the Company's business environment, the capabilities of its business counterparts, and whether the Company and its counterparts share common goals. If these activities are not successful and returns on related investments are lower than expected, the Company's profitability may be lower than anticipated.

(8) The Company is subject to intensifying competitive pressures. Unless the Company outperforms other companies in each of its businesses, the Company's results of operations may decrease in the future.

The Company is exposed to significant competition in each of its businesses. Unless the Company outperforms its competitors in areas such as terms of trade conditions, R&D, and quality of goods or services, the Company's results of operations may decrease in the future.

(9) If the Company's products and services are alleged to have serious defects, such allegations may have a material adverse effect on the Company's results of operations and financial position.

If the Company's products and services are alleged to have serious defects, the Company may be liable for significant damages, and there could be a material adverse effect on the Company's results of operations and financial position. If such claims are asserted, the Company's reputation and brand value may be damaged, which could cause a decline in demand for its products, resulting in decreased revenues.

(10) The Company may be required to incur significant expenses in connection with environmental damage that its activities may allegedly cause. Such expenses may have a material adverse effect on the Company's results of operations and financial position.

Claims may arise that the Company's activities have caused environmental contamination, including the emission of hazardous materials, air pollution, water pollution, and/or soil contamination. In such an event, the Company may elect or be required to implement costly corrective actions to resolve any issues associated with the emission or presence of such hazardous materials or contamination and may face associated litigation. These factors may have a material adverse effect on the Company's results of operations and financial position.

(11) If the Company is required to incur significant expenses relevant to asbestos-related issues, then there may be a material adverse effect on the Company's results of operations, financial position, and liquidity.

The Company previously manufactured products containing asbestos from 1954 to 2001. If the Company is required to incur additional expenses, including payments to the individuals concerned or expenses arising from litigation related to the asbestos-related health hazards and such expenses become significant, they may result in a material adverse effect on the Company's results of operations, financial position, and liquidity.

(12) The Company may experience a material effect on its results of operations and financial position if it faces issues related to compliance.

The Company has declared its intention to conduct its corporate activities in compliance with legal regulations and ethical principles, and to make efforts to ensure that all management and staff of the group companies comply with

various legal regulations, ethical standards, and internal regulations. However, in the event that compliance issues arise, there is a possibility that the Company may be subject to disciplinary action by government ministries supervising its activities or to lawsuits, or may suffer a loss of public confidence, any of which could have a material adverse effect on the Company's results of operations and financial position.

(13) Security breaches and other disruptions in the Company's Information Technology ("IT") system and networks may have a material adverse effect on the Company's results of operations and financial position.

The Company faces certain security threats, including threats to the confidentiality, availability, and integrity of our data and systems. In order to manage such risks, we implemented our information security system, an integrated set of policies, processes, methodologies, teams, and technologies aimed at ensuring appropriate protection of our data. Despite such efforts, if the Company's IT system and networks are disrupted or experience a security breach, the Company may suffer from an opportunity loss due to production downtime or may be subject to litigation or threat of litigation for information leakage, which in turn may cause a material adverse effect on the Company's results of operations and financial position. If such security breaches and other disruptions occur, the Company's reputation and brand value may be damaged and the Company's intellectual property may be infringed, which may cause a decline in demand for its products and result in decreased revenues.

(14) The Company may be required to incur considerable expenses in order to comply with various environmental laws and regulations. Such expenses may have a material adverse effect on the Company's results of operations and financial position.

The Company is subject to various environmental laws and regulations that apply to its products and activities. If these environmental laws and regulations, such as those that impose carbon dioxide emission controls, other emission controls, and usage restrictions for certain materials which are used in the Company's products, are strengthened or newly established in jurisdictions in which the Company conducts its businesses, the Company may be required to incur considerable expenses in order to comply with such laws and regulations. Such expenses may have a material adverse effect on the Company's results of operations and financial position. To the extent that the Company determines that it is not economical to continue to comply with such laws and regulations, the Company may have to curtail or discontinue its activities in the affected business areas.

(15) If the Company is damaged by natural disasters or other unpredictable events, it may have an adverse effect on the Company's results of operations and financial position.

The Company conducts business activities in Japan, North America, Europe, Asia, and other regions. If natural disasters or other unpredictable events, such as earthquakes, tsunamis, floods, typhoons, pandemics, wars, terrorist attacks, fires, information system or communication network breakdowns, or improper operations occur in countries and regions in which the Company operates, the Company's production, distribution, and sales activities may be disrupted, which could have an adverse effect on the Company's results of operations and financial position. In particular, Japan is a country with frequent earthquakes, and as a result, the Company has a reasonable probability of suffering from a strong earthquake or tsunami.

The effect of the infection spread of COVID-19 in fiscal year 2020 is shown on "3. Analysis of Consolidated Financial Position, Results of Operations, and Cash Flows by Management, (1) Analysis of Results of Operations". The Company estimates that the impact of COVID-19 is still unpredictable, but that demand in fiscal year 2021 will recover compared to fiscal year 2020 as of the current fiscal year end.

3. Analysis of Consolidated Financial Position, Results of Operations, and Cash Flows by Management

Beginning with the current consolidated fiscal year, in conformity with the change in the business reporting structure of the Company, the amounts related to "Air-conditioning equipment" are reported in the "Water & Environment" segment, whereas they were formerly reported in the "Farm & Industrial Machinery" segment. The information for the same period in the prior year has been retrospectively adjusted to conform to the current fiscal year's presentation Information by reportable segment. All forecast matters referred in the document were measured by the Company at the end of fiscal year 2020.

(1) Analysis and Consideration of Results of Operations from Managements' Point of View

The analysis and consideration of the Company's financial status, operation result, and cash flows (the result of operations) for fiscal year 2020 is as follows:

1) Result of Operations

The Company's long-term goal is to become a Global Major Brand, or in other words a brand that can make the greatest social contribution as a result of being trusted by the largest number of customers. In order to accelerate the realization of this goal, the Company has created its long-term vision for 10 years from now, "GMB2030" and held up "Essentials Innovator for Supporting Life", "Committed to a Prosperous Society and Cycle of Nature" as what the Company should be. The Company aims to achieve sustainable development over the long-term by making the greatest contribution to the realization of a sustainable society through solutions to enhance the productivity and safety of food, solutions to promote the circulation of water resources and waste, and solutions to improve urban and living environments. This year, the COVID-19 has spread around the world. Everything, not only our business environment, but also the lifestyle of people has completely changed. In such an ambiguous situation, the company tried to continue its business as an essential business to support the important infrastructure of society such as "Food, Water, and Environment". The stable demand supported its business, especially in North America, its main market, where the retail sales significantly increased. However, the infection spread of COVID-19 has delayed production, and the wholesale has been delayed to next year as well. Because of that, the revenue and operating income have decreased.

For the year ended December 31, 2020, revenue of the Company decreased by ¥66.8 billion [3.5%] from the prior year to ¥1,853.2 billion.

Domestic revenue decreased by ¥30.2 billion [4.8%] from the prior year to ¥595.2 billion because revenue in Farm & Industrial Machinery was down, mainly due to negative impacts of the infection spread of COVID-19 and a consumption tax hike in the fiscal year 2019. In addition, revenue in Water & Environment decreased due to a decrease in sales of environment-related products and products for the private sector, such as plastic pipes.

Overseas revenue decreased by ¥36.6 billion [2.8%] from the prior year to ¥1,258.0 billion because of significantly decreased revenue in Farm & Industrial Machinery mainly due to delay in production and shipment, while demand caused by consumers' stay-at-home lifestyle increased along with the infection spread of COVID-19. In addition, revenue in Water & Environment decreased slightly. As a result, overseas revenue accounted for 67.9% of consolidated revenue, which increased by 0.5 percentage points from the prior year.

Operating profit decreased by ¥26.4 billion [13.1%] from the prior year to ¥175.3 billion. This decrease was mainly due to negative effects from decreased revenue in the domestic and overseas markets, as well as a deterioration in profitability in manufacturing bases resulting from a temporary suspension of production and a reduction in production volume. However, there were some positive effects from raised product prices and declined interest rates in the United States. Profit before income taxes decreased by ¥23.1 billion [11.1%] from the prior year to ¥185.9 billion mainly due to decreased operating profit. Income tax expenses were ¥47.0 billion. Share of profits of investments accounted for using the equity method was ¥2.5 billion. Profit for the year decreased by ¥17.7 billion [11.1%] from the prior year to ¥141.4 billion. Profit attributable to owners of the parent decreased by ¥20.5 billion [13.8%] from the prior year to ¥128.5 billion.

Revenues from external customers and operating income by each reportable segment were as follows:

Farm & Industrial Machinery

Farm & Industrial Machinery is comprised of farm equipment, agricultural-related products, engines, and construction machinery.

Revenue in this segment decreased by 3.2% from the prior year to ¥1,508.8 billion, and accounted for 81.4% of consolidated revenue.

Domestic revenue decreased by 4.4% from the prior year to ¥292.9 billion. Sales of farm equipment decreased significantly mainly due to adverse reaction from rushed demand before the consumption tax hike and voluntary restraint of sales activities along with the infection spread of COVID-19.

Overseas revenue decreased by 2.9% from the prior year to ¥1,215.9 billion. In North America, retail sales from dealers to end customers were extremely strong mainly due to solid demand after April and a positive effect from

introduction of new models. However, wholesales of construction machinery and tractors decreased due to carryover of wholesales to the fiscal year 2021 resulting from delays to production along with the infection spread of COVID-19. As a result, dealer inventory levels significantly declined. In addition, sales of engines also decreased significantly mainly due to a negative impact of inventory adjustments by OEM clients. In Europe, sales of engines, construction machinery, and tractors decreased mainly due to some negative effects from temporarily suspended dealer businesses and a reduction in production of OEM clients for engines along with the infection spread of COVID-19. In Asia outside Japan, wholesales of tractors in Thailand decreased due to a negative impact of inventory adjustments, while retail sales increased slightly due to a recovery in the second half of the year caused by favorable rainfall in the rainy season. On the other hand, sales of engines and farm equipment in China increased due to recovered demand after resumption of economic activities. In addition, sales of farm equipment in India increased as well. As a result, revenue in Asia outside Japan increased from the prior year.

Operating profit in this segment decreased by 11.5% from the prior year to ¥179.6 billion mainly due to a deterioration in profitability in its manufacturing bases, decreased revenue in the domestic and overseas markets, and the negative effects of yen appreciation. However, there were some positive effects such as raised product prices and declined interest rates in the United States.

Water & Environment

Water & Environment is comprised of pipe- and infrastructure-related products (ductile iron pipes, plastic pipes, valves for public sector, industrial castings, ceramics, spiral-welded steel pipes, air-conditioning equipment, and other products)

Revenue in this segment decreased by 4.3% from the prior year to ¥315.8 billion, and accounted for 17.0% of consolidated revenue.

Domestic revenue decreased by 4.8% from the prior year to ¥274.0 billion. Revenue in pipe- and infrastructure-related products decreased due to a decrease in sales of plastic pipes, industrial castings, spiral-welded steel pipes, and air-conditioning equipment, mainly for private sector along with the infection spread of COVID-19, while sales of ductile iron pipes and construction business increased. Revenue in environment-related products decreased due to the completion of construction of a waste disposal and treatment facility in Futaba Town, Fukushima Prefecture, which was a large-scale project.

Overseas revenue decreased by 1.0% from the prior year to ¥41.8 billion due to decreased sales of environment-related products, while sales of ductile iron pipes and industrial castings increased.

Operating profit in this segment decreased by 7.9% from the prior year to ¥25.9 billion mainly due to decreased revenue in the domestic market and an increase in construction cost of plant, while material prices declined.

Other

Other is mainly comprised of a variety of services.

Revenue in this segment decreased by 9.3% from the prior year to ¥28.7 billion, and accounted for 1.6% of consolidated revenue.

Operating profit in this segment increased by 6.1% from the prior year to ¥3.8 billion.

2) Assets, Liabilities, and Equity

Assets

Total assets at December 31, 2020 were ¥3,189.3 billion, an increase of ¥50.0 billion from the prior fiscal year-end. With respect to assets, finance receivables increased mainly due to the expansion in sales financing operations in North America, where retail sales were strong. On the other hand, trade receivables decreased mainly due to account receivables decreasing from dealers because retail sales were strong and the infection spread of COVID-19 delayed production and shipment.

Liabilities

With respect to liabilities, bonds and borrowings decreased. On the other hand, trade liabilities increased due to the increase in production of the second half of this fiscal year.

Equity

Equity increased due to the accumulation of retained earnings despite the deterioration of the other elements of equity due to a fluctuating foreign exchange rate. The ratio of equity attributable to owners of the parent to total assets stood at 46.3%, 0.3 percentage points higher than the prior fiscal year-end.

3) Analysis of Cash Flows

Net cash provided by operating activities during the year ended December 31, 2020 was ¥142.9 billion, an increase of ¥60.5 billion in net cash inflow compared with the prior year. This increase was due to the changes in working capital, such as trade receivables and trade payables, despite a decrease in profit for the year.

Net cash used in investing activities was ¥47.1 billion, a decrease of ¥44.3 billion in net cash outflow compared with the prior year. This decrease was mainly due to a decrease in cash outflow related to acquisition of property, plant, and equipment and intangible assets and an increase in cash inflow related to sales of securities, while cash outflow related to payments for acquisition of securities increased.

Net cash used in financing activities was ¥68.4 billion, an increase of ¥46.8 billion in net cash outflow compared with the prior year mainly due to a decrease in funding.

As a result of the above, and after taking into account the effects from exchange rate changes, cash and cash equivalents as of December 31, 2020 were ¥222.9 billion, an increase of ¥23.3 billion from the beginning of the current year.

The Company has set cash flows from operating activities and free cash flows as the important KPI toward mid-term management plan, and will try to improve them.

(2) Liquidity and Capital Resources

The Company's financial policy is to ensure adequate financing and liquidity for its operations and to maintain the strength of its balance sheets.

Through efficient management of working capital, the Company intends to optimize the efficiency of capital utilization throughout its business operations. The Company seeks to improve its group cash management by centralizing cash management among Kubota Corporation and its overseas financing subsidiaries.

The Company's internal sources of funds include cash flows generated by operating activities and cash and cash equivalents. In addition, the Company raises funds by borrowings from financial institutions, financing by securitization of receivables, and the issuance of bonds and commercial paper ("CP") in capital markets, if necessary. The Company's policy is to finance working capitals and capital expenditures primarily by internally generated funds and, to a lesser extent, by funds raised through borrowings from financial institutions, etc. The main usage of bonds and borrowings of the fiscal year 2020 was related sales financing. Regarding bonds and borrowings, please see Notes to Consolidated Financial Statements, Note 14 "bonds and borrowings".

All things considered, the Company believes that it can support its current and anticipated capital and operating requirements for the foreseeable future.

(3) Production, Orders Received, and Revenue

1) Production Results

Consolidated production results by reporting segment for the year ended December 31, 2020 were as follows:

Reporting segment	Amount (millions of yen)	Change from the prior year (%)
Farm & Industrial Machinery	¥ 1,442,961	(4.8)
Water & Environment	313,448	(5.7)
Other	28,859	(8.8)
Total	¥ 1,785,268	(5.0)

(Notes)

1. Intersegment transfers are eliminated.
2. Amounts are recorded at sales price.
3. Amounts do not include consumption taxes.

2) Orders Received

Consolidated orders received by reporting segment for the year ended December 31, 2020 were as follows:

Except for certain products, Farm & Industrial Machinery products are not made-to-order and some Water & Environment and Other products are not made-to-order, either.

Reporting segment	Amount (millions of yen)	Change from the prior year (%)	Balance(millions of yen)	Change from the prior year (%)
Farm & Industrial Machinery	¥ 550	30.3	¥ 113	73.9
Water & Environment	239,045	3.1	230,996	(2.5)
Other	5,020	(4.6)	2,427	14.7
Total	¥ 244,615	2.9	¥ 233,536	(2.3)

(Notes)

1. Intersegment transfers are eliminated.
2. Amounts do not include consumption taxes.

3) Revenue

Consolidated revenue by reporting segment for the year ended December 31, 2020 were as follows:

Reporting segment	Amount (millions of yen)	Change from the prior year (%)
Farm & Industrial Machinery	¥ 1,508,766	(3.2)
Water & Environment	315,774	(4.3)
Other	28,694	(9.3)
Total	¥ 1,853,234	(3.5)

(Notes)

1. Intersegment transfers are eliminated.
2. There was no single customer from whom revenue exceeded 10% or more of the Company's total consolidated revenue for the year ended December 31, 2020 and 2019.
3. Amounts do not include consumption taxes.

(4) Significant Accounting Estimates and Assumptions

The Company's consolidated financial statements are prepared in accordance with IFRS, and by using judgements, estimates, and assumptions relating to the application of accounting policies and reporting of assets, liabilities, revenue, and expenses. Actual results could differ from those accounting estimates and assumptions. The estimates and assumptions are continually reviewed. The effects of a change in accounting estimates, if any, are recognized in the reporting period in which the change is made and in the future periods.

With regard to significant accounting estimates and assumptions, please see "Note 2. BASIS OF FINANCIAL STATEMENTS, Significant Accounting Judgements, Estimates, and Assumptions" and "Note 3. SIGNIFICANT ACCOUNTING POLICIES".

4. Material Contracts

Not applicable

5. Research and Development (R&D) Activities

The Company's corporate mission is continuing to support the future of the earth and humanity by identifying food, water, and the environment as a singular theme and linked closely to each other and solving issues through its superior products, technologies and services. Being motivated by this mission, the Company's R&D department takes the initiative to develop products and technologies that are directly linked to each business while pursuing medium- to long-term R&D that supports the Company's sustainable growth. The total R&D expenses for the year ended December 31, 2020 were

¥58.4 billion.

The R&D expenses and major achievements of R&D activities by reporting segment were as follows. The R&D expenses in the Other segment and basic research expenses that are difficult to link to a particular reportable segment are collectively reported in Other and Corporate.

(1) Farm & Industrial Machinery

The R&D department in this segment conducts development of farm equipment, agricultural-related products, engines, and construction machinery and advanced research related to the aforementioned products. Its major achievements are as follows:

Development of an Agri-Robo-rice transplanter, called the NW8SA, autonomous farm equipment

We have developed Agri-Robo-rice transplanter "NW8SA", which has 2 types, heteronomous and autonomous, contribute to reduce workforce and improve efficiency for rice planting. The main features are:

- 1) It enables full-surface artisan planting by going straight and turning automatically. First, the user teaches the perimeter of the field. When it gets the map of the field, it generates the most effective way to its work and starts planting automatically.
- 2) The autonomous version equips ultrasonic sonars at the front, side and rear and stops automatically when an obstacle detected. Voice alarm is installed in both version and warns dangerous points. The audio guide tells how to use, so those who are not familiar with the machine can use it easily.
- 3) With the use of KSAS *, it is possible to make a fertilization plan dividing one field into mesh on a personal computer. By linking this data with rice transplanter, the planter moves as planned. It makes the rice growth equal and stabilizes the taste and yield of rice.

* Kubota Smart Agri-System (KSAS): A system to support farm operations provided by Kubota

Development of construction machinery's Troubleshooting App "Kubota Diagnostics"

We have developed an application called "Kubota Diagnostics" that enables efficient fault diagnosis on the construction machinery using smartphones. The main features are:

- 1) By inputting error codes and malfunction symptoms generated by the machine into the application, it shows inspection points and repair methods automatically, and makes diagnosis efficiently and swiftly.
- 2) You can refer the guidance on the location of failure by 3D models and AR just holding the smartphone camera over the product and it contributes to effective repair work. This application reduces the time of failed machines (Downtime).
- 3) Since Kubota can efficiently collect failure information, Kubota can provide all users high-quality after-sales service and failure prediction.

AR: Augmented Reality. By overlaying virtual visual information on a real scene, it virtually expands the world in front of you.

Development of Powder Feeder "NX-T 12"

We have developed a powder and granular feeders "NX-OS 12" that can continuously supply very small amounts of powder and granular materials to production facilities. The main features are:

- 1) It improves the flow of materials without stagnation and the accuracy of the measurement of supply by adopting a unique shape and method for the hopper and agitator. And by stabilizing the filling efficiency of the screw, it put into practice delicate supply such as 10 ml per hour.
- 2) The wide color screen and simple key operation enable to see the set flow rate and the current actual flow rate.
- 3) Easy disassembly and cleaning without special tools enable ease of cleaning when replacing raw materials. The bolt fall prevention mechanism reduces the risk of contamination.

The R&D expenses in this segment were ¥49.6 billion.

(2) Water & Environment

The R&D department in this segment conducts product development of pipe- and infrastructure-related products (ductile iron pipes, plastic pipes, valves, industrial castings, spiral welded steel pipes, and other products), environment-related products (environmental control plants, pumps, and other products) and advanced research related to the aforementioned products. Its major achievements are as follows:

Development of pump gate "AI diagnostic system"

In the environmental business, a system that uses AI to remotely monitor manhole pumps (a facility that sends domestic sewage discharged from households to a sewage treatment plant) has been newly developed.

To prevent flooding, we have developed "AI diagnostic system" that can be used for the pump gate installed in rivers and drains. The main features are :

- 1) It can run a trial without water.
- 2) The AI can maintain the situation of the pump by diagnosing and evaluating the soundness of the pump from the trial running data, lubricating oil temperature, and insulation resistance.
- 3) By installing the application on the customer's tablet, the diagnosis results can be viewed on the web page, and the cost of installation and communication can be reduced.
- 4) The input form for equipment inspection record is inside the system, all data can be managed in the cloud. And the time required for posting and tabulating will be reduced.

Development of Highly Integrated submerged membrane "SP 900-A"

We have developed a highly integrated submerged membrane *"SP 900-A" which has significant processing capacity compared to conventional products. The main features are:

- 1) It has reduced the thickness of the membrane element while keeping the same capacity of filtering and the durability as the conventional products. It contributes to increase the number of the membrane element per module and achieve a 12.5% increase in membrane filling rate (Membrane area per unit installation area).
- 2) We have improved the unit frame strength, and it enabled to increase the number of mountable membrane modules from a maximum of 12 to 16 (33.3%).
- 3) As a result, the membrane filling rate was increased by 50% compared with the conventional "SP600", the largest model, thus we can save space in the wastewater treatment facility.

*Submerged membrane: Membrane filtration equipment used in Membrane Bioreactor process, which is one of the advanced wastewater treatment systems.

The R&D expenses in this segment were ¥ 4.6 billion.

(3) Other and Corporate

We strongly promoted the advancement of our fundamental technologies such as mechatronics, sensing, telecommunications, high-precision control, and AI. These technologies accelerated the research and development of smart agricultural systems, remote monitoring and diagnosis systems for Water & Environment infrastructure solutions in Japan, Europe, the United States, and ASEAN countries, and image recognition technologies, automation systems, and data analysis technologies for in-house factories that innovate manufacturing. We also focused on carbon neutral technologies, such as electrification for agricultural and construction equipment. We have significantly progressed to productize it.

The R&D expenses in this segment were ¥4.3 billion.

3. Property, Plant, and Equipment

1. Summary of Capital Investment

The primary reasons for the Company's capital investments are to meet increasing demand, to respond to increasing market competition, and to develop new products for future business expansion. The Company also makes investments for environmental conservation, safety and sanitation purposes.

The capital investment for the year ended December 31, 2020 was ¥87,201 million, which was comprised of the following:

	For the year ended December 31, 2020 (millions of yen)	For the year ended December 31, 2019 (millions of yen)	Change from the prior year (%)
Farm & Industrial Machinery	¥ 64,320	¥ 71,583	89.9
Water & Environment	7,610	7,297	104.3
Other	1,026	1,555	66.0
Corporate	14,245	6,219	229.1
Total	¥ 87,201	¥ 86,654	100.6

(Note)

1. The amounts do not include consumption taxes.
2. Beginning with the current consolidated fiscal year, in conformity with the change in the business reporting structure of the Company, the amounts related to "Air-conditioning equipment" are reported in the "Water & Environment" segment, whereas they were formerly reported in the "Farm & Industrial Machinery" segment. The information for the same period in the prior year has been retrospectively adjusted to conform to the current fiscal year's presentation.

The details of major investments are as follows:

Farm & Industrial Machinery

The Company invested in building new R&D hubs in Japan, North America and Europe.

Water & Environment

The Company invested in facilities to renew obsolete equipment.

Corporate

The Company invested in information systems.

For the year ended December 31, 2020, there were no sales, removals, or damage to property, plant, and equipment which resulted in a significant adverse impact to productivity.

Losses on sales and disposals for routine upgrades were ¥2,561 million and ¥2,032 million for the years ended December 31, 2020 and 2019, respectively.

2. Major Property, Plant, and Equipment

The Company's major property, plant, and equipment at December 31, 2020 were as follows:

The amounts in each table do not include consumption taxes. Also, the *Machinery and equipment and others* column includes *machinery, equipment, tools, furniture, fixtures, motor vehicles, and transport equipment*.

The amounts are the carrying amounts presented in the balance sheet of each company.

(1) Kubota Corporation

(As of December 31, 2020)

Facility (Main location)	Reporting segment	Details of production item or business contents	Carrying amounts (millions of yen)						Number of employees
			Buildings and structures	Machinery and equipment and others	Land		Construction in progress	Total	
					Area (m ² in thousands)	Amount			
Hanshin Plant (Amagasaki-shi, Hyogo, JAPAN)	Water & Environment	Ductile iron pipes, mill rolls	2,147	4,147	(2) 365	1,930	756	8,980	688
Keiyo Plant (Funabashi-shi, Chiba, JAPAN)	Water & Environment	Ductile iron pipes	1,886	2,323	445	10,664	1,580	16,453	358
Ichikawa Plant (Ichikawa -shi, Chiba, JAPAN)	Water & Environment	Spiral welded steel pipes	588	1,018	(19) 62	513	81	2,200	131
Okajima Business Center (Taisho-ku, Osaka, JAPAN)	Farm & Industrial Machinery, Water & Environment	Casting parts	1,033	2,109	78	42	346	3,530	341
Sakai Plant (Sakai-shi, Osaka, JAPAN)	Farm & Industrial Machinery	Farm equipment, engines, construction machinery	19,346	25,899	(15) 945	22,710	7,461	75,416	4,029
Utsunomiya Plant (Utsunomiya-shi, Tochigi, JAPAN)	Farm & Industrial Machinery	Farm equipment	928	1,467	146	188	273	2,856	417
Tsukuba Plant (Tsukubamirai-shi, Ibaraki, JAPAN)	Farm & Industrial Machinery	Farm equipment, engines	5,597	12,277	(21) 392	3,176	2,457	23,507	1,702
Hirakata Plant (Hirakata-shi, Osaka, JAPAN)	Farm & Industrial Machinery, Water & Environment	Construction machinery, pumps, valves, steel castings	7,970	6,228	304	672	916	15,786	1,287
Shiga Plant (Konan-shi, Shiga, JAPAN)	Water & Environment	Wastewater treatment plant (Johkasou)	287	183	178	1,032	27	1,529	59
Kyuhoji Business Center (Yao-shi, Osaka, JAPAN)	Farm & Industrial Machinery	Precision equipment	409	291	38	1,521	15	2,236	201
Head Office, Tokyo Head Office, Other regional offices, etc. (Naniwa-ku, Osaka, JAPAN, etc.) (Note 2)	Farm & Industrial Machinery, Water & Environment, Corporate	Administration, sales, R&D, etc.	11,978	1,106	1,686	27,669	239	40,992	2,143

(Notes)

1. Kubota Corporation leases part of its land and buildings. The related rental expenses for such assets were ¥1.5 billion for the year ended December 31, 2020. The areas of leased land are stated in parentheses. Leased land and buildings are mainly used for storage yards and sales bases.
2. Land is used for factories, distribution and sales bases, recreation facilities, and other purposes.

(2) Domestic subsidiaries

(As of December 31, 2020)

Company name	Facility (Main location)	Reporting segment	Details of production item or business contents	Book value (millions of yen)						Number of employees
				Buildings and structures	Machinery and equipment and others	Land		Construction in progress	Total	
						Area (m ² in thousands)	Amount			
Kubota ChemiX Co., Ltd.	Head office, regional offices, factories (Naniwa-ku, Osaka, JAPAN, etc.)	Water & Environment	Plastic pipes, fittings	260	2,843	(104)	—	1,109	4,212	662

(Note)

The area of leased land is stated in parentheses. Leased land and buildings are mainly used for the head office, regional offices, and manufacturing bases.

(3) Overseas subsidiaries

(As of December 31, 2020)

Company name	Facility (Main location)	Reporting segment	Details of production item or business contents	Book value (millions of yen)						Number of employees
				Buildings and structures	Machinery and equipment and others	Land		Construction in progress	Total	
						Area (m ² in thousands)	Amount			
Kubota North America Corporation	Head office (Delaware, U.S.A.)	Farm & Industrial Machinery	Administration of subsidiaries in North America	10,831	207	2,348	5,482	44	16,564	9
Kubota Tractor Corporation	Head office, regional offices (Texas, etc., U.S.A.)	Farm & Industrial Machinery	Administration, sales, etc.	4,199	1,135	811	1,342	294	6,970	986
Kubota Manufacturing of America Corporation	Head Factory (Georgia, U.S.A.)	Farm & Industrial Machinery	Tractors, outdoor power equipment	4,675	4,915	154	49	1,954	11,593	1,464
Kubota Industrial Equipment Corporation	Head Factory (Georgia, U.S.A.)	Farm & Industrial Machinery	Implements, tractors, construction machinery	3,413	1,290	356	308	675	5,686	947
SIAM KUBOTA Corporation Co., Ltd.	Head office, factories (Pathumthani, etc., THAILAND)	Farm & Industrial Machinery	Tractors, combine harvesters, implements, horizontal type diesel engines	6,568	5,628	496	2,675	710	15,581	2,547

3. Plans for Capital Investment and Disposals of Property, Plant, and Equipment

The Company plans its capital investments giving holistic consideration to its forecast for future business demand and cash flows.

As of December 31, 2020, the Company has planned capital investment of approximately ¥140.0 billion for the 132nd business term. The Company intends to fund its capital investment primarily through internally generated funds and only partially through borrowings from financial institutions.

The Company's major plans for new construction, expansion, renovation, disposition, and sales at December 31, 2020 were as follows:

New Construction

Company name (Location)	Reporting segment	Description	Estimated amount of expenditures		Schedule	
			Total amount of expenditures	Amount already paid	Commenced	To be completed
Kubota Canada Ltd. (Ontario, CANADA)	Farm & Industrial Machinery	Building new head office and warehouses for business expansion	(millions of CAD) 73	(millions of CAD) 51	April 2018	March 2021
Kubota Corporation Sakai Plant, Okajima Business Center (Sakai-shi, Osaka, JAPAN, Taisho-ku, Osaka, JAPAN)	Farm & Industrial Machinery	Building new facilities to establish production system of large-sized engines	(millions of JPY) 4,420	(millions of JPY) 2,628	October 2018	December 2021
Kubota Corporation Tsukuba Plant (Tsukubamirai-shi, Ibaraki, JAPAN)	Farm & Industrial Machinery	Building new facilities to expand production of engines	(millions of JPY) 4,970	(millions of JPY) 2,377	August 2019	June 2021
R&D hub in North America (Georgia, U.S.A.)	Farm & Industrial Machinery	Building new R&D hub of turf equipment, utility vehicles, and implement for tractors	(millions of USD) 85	(millions of USD) 21	July 2019	April 2022
Kubota Corporation Sakai Plant (Sakai-shi, Osaka, JAPAN)	Farm & Industrial Machinery	Building new R&D hub	(millions of JPY) 84,172	(millions of JPY) 15,928	December 2018	June 2022
Kubota North America Corporation (Delaware, U.S.A.)	Farm & Industrial Machinery	Establishing enterprise resource planning system in North America	(millions of USD) 53	(millions of USD) 17	October 2019	December 2022
Kubota Corporation Okajima Business Center (Taisho-ku, Osaka, JAPAN)	Farm & Industrial Machinery	Improving production efficiency of high value added casting and establishing business continuity plan	(millions of JPY) 18,680	(millions of JPY) 181	October 2019	December 2025

Kubota Corporation Head Office (Naniwa-ku, Osaka, JAPAN)	Farm & Industrial Machinery	Establishing enterprise resource planning system	(millions of JPY) 21,545	(millions of JPY) 8,768	December 2019	November 2022
Great Plains Manufacturing, Inc. (Kansas, U.S.A.)	Farm & Industrial Machinery	Building new production hub for small construction machines	(millions of USD) 53	(millions of USD) —	August 2020	September 2022

(Note)

The Company has not yet decided if the R&D hub in North America will form a distinct legal entity or will instead belong to any of its existing subsidiaries.

There are no major plans for expansion, renovation, disposition, or sale.

4. Information on Kubota Corporation

1. Information on the Shares of Kubota Corporation

(1) Total Number of Shares

1) Total Number of Shares

Class	Total number of shares authorized to be issued (shares)
Common shares	1,874,700,000
Total	1,874,700,000

2) Issued Shares

Class	Number of shares issued as of end of period (shares) (December 31, 2020)	Number of shares issued as of filing date (shares) (March 19, 2021)	Stock exchange on which Kubota Corporation is listed	Description
Common shares	1,208,576,846	1,208,576,846	Tokyo Stock Exchange (the first section)	The number of shares per unit of shares is 100 shares.
Total	1,208,576,846	1,208,576,846	—	—

(2) Information on Stock Option Plans

1) Details of Stock Option Plans

Not applicable.

2) Information on Shareholder Right Plans

Not applicable.

3) Information on other Stock Option Plans

Not applicable.

(3) Information on Moving Strike Convertible Bonds

Not applicable.

(4) Changes in the Total Number of Issued Shares, the Amount of Common Shares, and Other

Date	Changes in the total number of issued shares (thousands of shares)	Balance of the total number of issued shares (thousands of shares)	Changes in common shares (millions of yen)	Balance of common shares (millions of yen)	Changes in capital reserve (millions of yen)	Balance of capital reserve (millions of yen)
December 30, 2016 (Note 1)	(3,800)	1,241,119	¥ —	¥ 84,070	¥ —	¥ 73,057
April 21, 2017 (Note 2)	35	1,241,154	¥ 30	¥ 84,100	¥ 30	¥ 73,087
December 29, 2017 (Note 1)	(7,130)	1,234,024	¥ —	¥ 84,100	¥ —	¥ 73,087
April 20, 2018 (Note 3)	32	1,234,056	¥ 30	¥ 84,130	¥ 30	¥ 73,117
December 28, 2018 (Note 1)	(1,500)	1,232,556	¥ —	¥ 84,130	¥ —	¥ 73,117
September 30, 2019 (Note 1)	(11,980)	1,220,576	¥ —	¥ 84,130	¥ —	¥ 73,117
October 30, 2020 (Note 1)	(12,000)	1,208,576	¥ —	¥ 84,130	¥ —	¥ 73,117

(Notes)

- The decrease was due to retirement of treasury shares.
- The increase was due to issuance of new shares as consideration for monetary remuneration under the restricted stock compensation plan.

Price of issuance (per share):	¥ 1,718.50
Price of paid-in-capital (per share):	¥ 859.25
Recipients of shares to be allocated	6 Directors of Kubota Corporation, excluding Outside Directors

- The increase was due to issuance of new shares as consideration for monetary remuneration under the restricted stock compensation plan.

Price of issuance (per share):	¥ 1,845.00
Price of paid-in-capital (per share):	¥ 922.50
Recipients of shares to be allocated	6 Directors of Kubota Corporation, excluding Outside Directors and non-resident of Japan

(5) Shareholders Composition

(As of December 31, 2020)

Class of shareholders	Status of shares (one unit of shares: 100 shares)								Number of shares less than one unit (shares)
	Government and municipality	Financial institution	Financial instruments business operator	Other institution	Overseas shareholders			Total	
					Corporations	Individuals	Individuals and others		
Number of shareholders	—	125	42	753	845	48	43,746	45,559	—
Share Ownership (units)	—	5,917,733	541,850	432,516	4,266,649	547	923,800	12,083,095	267,346
Ownership percentage of shares (%)	—	48.98	4.48	3.58	35.31	0.00	7.65	100.00	—

(Notes)

- Of 306,736 shares of treasury shares, 3,067 units are included in the *Individuals and others* column while 36 shares are included in the *Number of shares less than one unit* column.
- The *Other institution* column includes 10 units registered in the name of Japan Securities Depository Center, Incorporated.

(6) Major Shareholders

(As of December 31, 2020)

Name	Address	Share ownership (thousands of shares)	Ownership percentage to the total number of issued shares (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	11-3, Hamamatsu-cho 2-chome, Minato-ku Tokyo, JAPAN	138,988	11.50
Nippon Life Insurance Company	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo, JAPAN	62,542	5.18
Meiji Yasuda Life Insurance Company	1-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo, JAPAN	59,929	4.96
Custody Bank of Japan, Ltd. (Trust Account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo, JAPAN	57,401	4.75
Sumitomo Mitsui Banking Corporation	1-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo, JAPAN	36,006	2.98
Mizuho Bank, Ltd.	5-5, Otemachi 1-chome, Chiyoda-ku, Tokyo, JAPAN	31,506	2.61
Moxley & Co. LLC (Standing proxy: Sumitomo Mitsui Banking Corporation)	270 Park Avenue, New York, New York, 10017-2070, U.S.A. (3-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo, JAPAN)	25,393	2.10
Custody Bank of Japan, Ltd. (Trust account 7)	8-12, Harumi 1-chome, Chuo-ku, Tokyo, JAPAN	19,337	1.60

Name	Address	Share ownership (thousands of shares)	Ownership percentage to the total number of issued shares (%)
MUFG Bank, Ltd.	7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo, JAPAN	18,156	1.50
Custody Bank of Japan, Ltd. Sumitomo Mitsui Trust Bank Retirement benefit trust account	8-12, Harumi 1-chome, Chuo-ku, Tokyo, JAPAN	17,872	1.48
Total	—	467,133	38.66

(Notes)

- The shares held by The Master Trust Bank of Japan, Ltd. (Trust account), Custody Bank of Japan, Ltd. (Trust account), Custody Bank of Japan, Ltd. (Trust account 7), and Custody Bank of Japan, Ltd. Sumitomo Mitsui Trust Bank Retirement benefit trust account are invested as their fiduciary services.
- Change reports pertaining to large shareholding reports by Massachusetts Financial Services Company dated September 21, 2018 are available for public inspection. However, the information in the reports is not stated in the preceding table since Kubota Corporation has not confirmed the actual status of shareholdings as of December 31, 2020. A summary of the reports as of September 14, 2018 is as follows:

Name	Share ownership (thousands of shares)	Ownership percentage to the total number of issued shares (%)
Massachusetts Financial Services Company	57,071	4.62
MFS Investment Management K.K.	4,675	0.38
Total	61,746	5.00

- Change reports pertaining to large shareholding reports by MUFG Bank, Ltd. dated May 8, 2020 are available for public inspection. However, the information in the reports is not stated in the preceding table since Kubota Corporation has not confirmed the actual status of shareholdings as of December 31, 2020. A summary of the reports as of April 27, 2020 is as follows:

Name	Share ownership (thousands of shares)	Ownership percentage to the total number of issued shares (%)
MUFG Bank, Ltd.	18,156	1.49
Mitsubishi UFJ Trust and Banking Corporation	69,749	5.71
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	8,949	0.73
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	1,267	0.10
Total	98,122	8.04

- Change reports pertaining to large shareholding reports by Mizuho Bank, Ltd. dated May 22, 2020 are available for public inspection. However, the information in the reports is not stated in the preceding table since Kubota Corporation has not confirmed the actual status of shareholdings as of December 31, 2020. A summary of the reports as of May 15, 2020 is as follows:

Name	Share ownership (thousands of shares)	Ownership percentage to the total number of issued shares (%)
Mizuho Bank, Ltd.	31,506	2.58
Mizuho Securities Co., Ltd.	2,900	0.24
Asset Management One Co., Ltd.	43,783	3.59
Total	78,189	6.41

- Change reports pertaining to large shareholding reports by Sumitomo Mitsui DS Asset Management Company, Ltd. dated June 5, 2020 are available for public inspection. However, the information in the reports is not stated in the preceding table since Kubota Corporation has not confirmed the actual status of shareholdings as of December 31, 2020. A summary of the reports as of May 29, 2020 is as follows:

Name	Share ownership (thousands of shares)	Ownership percentage to the total number of issued shares (%)
Sumitomo Mitsui DS Asset Management Company, Ltd.	3,743	0.31
Sumitomo Mitsui Banking Corporation	36,006	2.95
Nikko Asset Management Co., Ltd.	33,620	2.75
Total	73,370	6.01

6. Change reports pertaining to large shareholding reports by Sumitomo Mitsui Trust Bank, Ltd. dated October 21, 2020 are available for public inspection. However, the information in the reports is not stated in the preceding table since Kubota Corporation has not confirmed the actual status of shareholdings as of December 31, 2020. A summary of the reports as of October 15, 2020 is as follows:

Name	Share ownership (thousands of shares)	Ownership percentage to the total number of issued shares (%)
Sumitomo Mitsui Trust Bank, Limited	19,572	1.60
Sumitomo Mitsui Trust Asset Management Co., Ltd.	37,412	3.07
Nikko Asset Management Co., Ltd.	26,943	2.21
Total	83,927	6.88

(7) Information on Voting Rights

1) Issued Shares

(As of December 31, 2020)

Classification		Number of shares (shares)	Number of voting rights	Description
Shares without voting rights		—	—	—
Shares with restricted voting rights (treasury shares, etc.)		—	—	—
Shares with restricted voting rights (others)		—	—	—
Shares with full voting rights (treasury shares, etc.)	(Treasury shares) Common shares:	306,700	—	—
	(Crossholding shares) Common shares:	718,400	—	—
Shares with full voting rights (others)	Common shares:	1,207,284,400	12,072,844	—
Shares less than one unit	Common shares:	267,346	—	Shares less than one unit (100 shares)
Number of issued shares		1,208,576,846	—	—
Total number of voting rights		—	12,072,844	—

(Note)

The *Shares with full voting rights (others)* column includes 1,000 shares (10 voting rights) registered in the name of Japan Securities Depository Center, Incorporated.

2) Treasury Shares

(As of December 31, 2020)

Name of shareholder	Address	Number of shares held under own name (shares)	Number of shares held under the names of others (shares)	Total shares held (shares)	Ownership percentage to the total number of issued shares (%)
(Treasury shares)					
Kubota Corporation	2-47, Shikitsu Higashi 1-chome, Naniwa-ku, Osaka, JAPAN	306,700	—	306,700	0.03
(Crossholding shares)					
Akita Kubota Corporation	295-38, Terauchikamiyashiki, Akita-shi, Akita, JAPAN	41,400	—	41,400	0.00
Minami Tohoku Kubota Corporation	16-1, Takakura Sugishita, Hiwadamachi, Koriyama-shi, Fukushima, JAPAN	102,000	—	102,000	0.01
Hokuriku Kinki Kubota Corporation	956-1, Shimokashiwanomachi, Hakusan-shi, Ishikawa, JAPAN	9,000	—	9,000	0.00
Fukuoka Kyushu Kubota Corporation	11-36, Noma 1-chome, Minami-ku, Fukuoka-shi, Fukuoka, JAPAN	566,000	—	566,000	0.05
Total crossholding shares	—	718,400	—	718,400	0.06
Total	—	1,025,100	—	1,025,100	0.08

2. Information on Acquisition of Treasury Shares

Class of Shares: Acquisition of common shares under Article 155, Items 3 and 7 of the Companies Act.

(1) Acquisition of Treasury Shares Resolved at the General Meeting of Shareholders

Not applicable.

(2) Acquisition of Treasury Shares Resolved at the Meetings of the Board of Directors

Acquisition of common shares under Article 155, Item 3 of the Companies Act

Classification	Number of shares (shares)	Total amount (¥)
Details on resolution at the Meeting of the Board of Directors held on April 17, 2020 (Term of validity: from April 20, 2020 to December 14, 2020)	20,000,000	¥ 20,000,000,000
Treasury shares acquired before the year ended December 31, 2020	—	—
Treasury shares acquired for the year ended December 31, 2020	12,084,800	19,999,878,700
Treasury shares not acquired for the year ended December 31, 2020	7,915,200	121,300
Percentage of remaining treasury shares not acquired as of December 31, 2020 (%)	39.6	0.0
Treasury shares acquired during the current period	—	—
Percentage of remaining treasury shares not acquired as of filing date (%)	39.6	0.0

(3) Details of Acquisition of Treasury Shares Not Based on the Resolutions of the General Meeting of Shareholders or the Meetings of the Board of Directors

Acquisition of common shares under Article 155, Item 7 of the Companies Act

Classification	Number of shares (shares)	Total amount (¥)
Treasury shares acquired for the year ended December 31, 2020	1,288	¥ 2,227,703
Treasury shares acquired during the current period	199	464,520

(Note)

Treasury shares acquired during the current period does not include shares consisting of less than one unit purchased during the period from March 1, 2021 to the filing date of this report.

(4) Status of the Disposition and Holding of Acquired Treasury Shares

Classification	Year ended December 31, 2020		Current period	
	Number of shares (shares)	Total disposition amount (¥)	Number of shares (shares)	Total disposition amount (¥)
Acquired treasury shares for which subscribers were solicited	90,786	¥ 148,266,248	—	¥ —
Acquired treasury shares which was retired	12,000,000	19,854,840,000	—	—
Acquired treasury shares for which transfer of shares was conducted due to merger, share exchange, or company separation	—	—	—	—
Others (sold shares consisting of less than one unit)	81	132,413	—	—
Total number of treasury shares held	306,736	—	306,935	—

(Note)

The number of shares and total disposition amount during the current period does not include shares consisting of less than one unit acquired or sold during the period from March 1, 2021 to the filing date of this report.

3. Dividend Policy

Kubota Corporation's basic policy for the return of profit to shareholders is to maintain a stable level of dividends and raise dividends. Kubota Corporation decides how to allocate its retained earnings in consideration of maintaining sound business operations and accommodating the future business environment.

Based on the above policy, ¥17 per share was declared as an interim dividend and ¥19 per share was declared as a year-end dividend for the current fiscal year, resulting in a total annual dividend of ¥36 per share.

In accordance with its basic policy, Kubota Corporation pays dividends twice a year an interim dividend and a year-end dividend with appropriation from retained earnings. Dividends are resolved at the Meetings of the Board of Directors.

Kubota Corporation stipulates in its Articles of Incorporation the possibility of resolution of interim dividends, which is defined under Article 454, Paragraph 5 of the Companies Act. For further details, please refer to 5. *Stock-Related Administration of Kubota Corporation*.

Dividends with record dates falling in the current fiscal year are as follows:

Date of resolution	Cash dividends (millions of yen)	Cash dividends per share (¥)
The Meeting of the Board of Directors on August 4, 2020	¥ 20,668	¥ 17.00
The Meeting of the Board of Directors on February 15, 2021	¥ 22,957	¥ 19.00

4. Corporate Governance

(1) Corporate Governance

1) Basic Policy on Corporate Governance

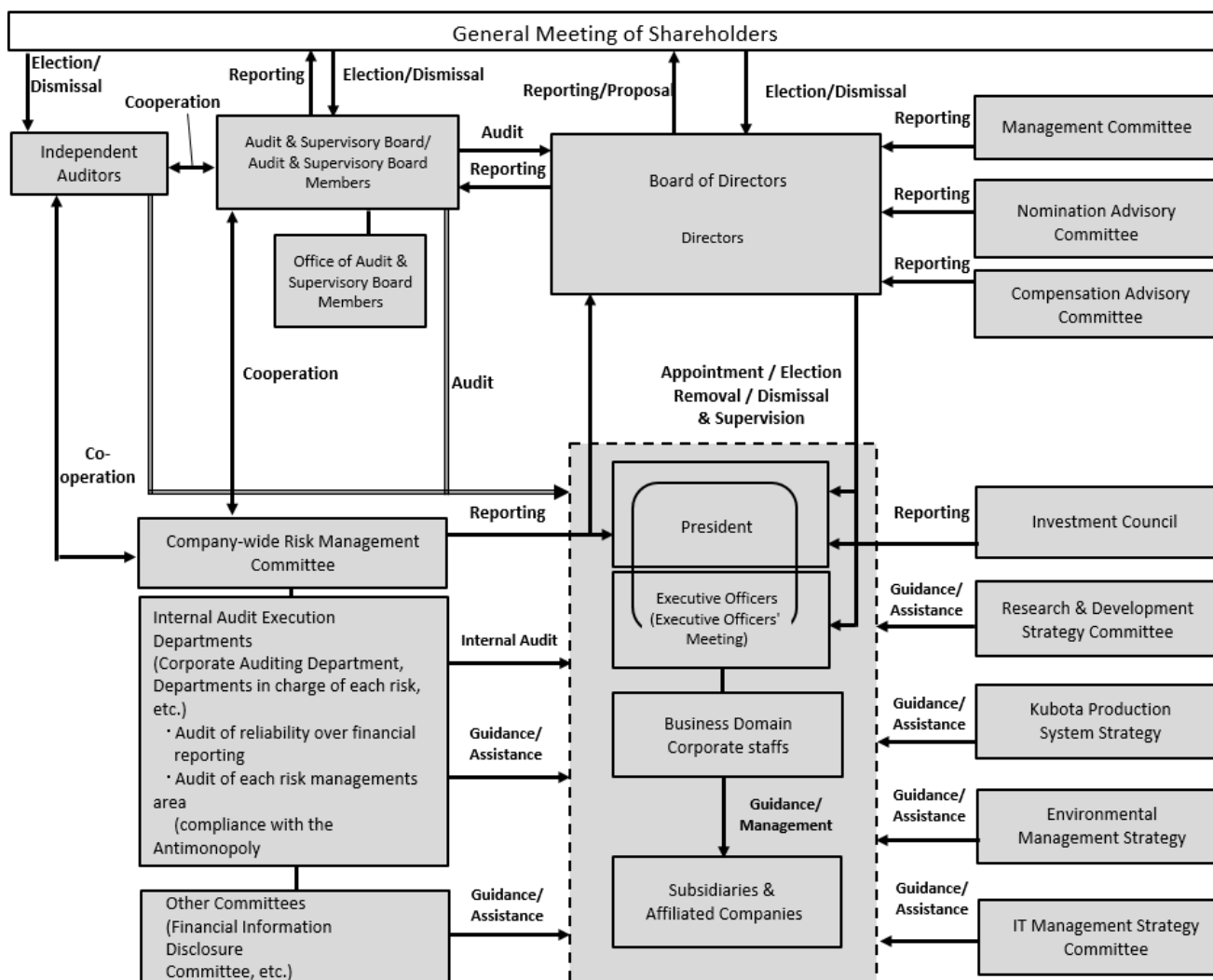
Kubota Corporation has designated *long-term and stable growth of corporate value* as its highest management priority. To realize this aim, Kubota Corporation considers enhancement of the satisfaction of all the Company's stakeholders and improvement of overall corporate value, while balancing economic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

To increase the confidence and understanding by shareholders, investors, and society, Kubota Corporation will make accurate and timely disclosures of corporate information, such as results of operations on a quarterly basis and management policies, and fulfill its responsibilities for transparency and accountability in corporate activities.

2) Corporate Governance Structure

a) Outline of Corporate Governance Structure and Reasons for Such Structure

In order to respond to business environments in a timely manner and achieve enhanced transparency in its management structure, Kubota Corporation has adopted the following corporate governance structure (as of March 19, 2021).



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.

The Audit & Supervisory Board 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 with regard to auditing policies, audit reports, and other matters.

Kubota Corporation has adopted the Executive Officer System in order to strengthen business execution by each area and workplace, and make prompt and appropriate business decisions. In addition to its regular monthly meetings, it also meets as and when required. The Representative Directors instruct the Executive Officers on policies and decisions made by the Board of Directors. The Executive Officers report to the Representative Directors regarding the status of their execution of duties.

Kubota Corporation has a Management Committee and Investment Council in place in order to discuss and make decisions in regard to specific and important issues. The Management Committee meets to deliberate on important management matters, such as investments, loans, and mid-term management plans, before they are discussed by the Board of Directors. The Investment Council gives the President advice on matters to be decided by the President, except those deliberated by the Management Committee, as well as special matters.

In addition, Kubota Corporation has a Nomination Advisory Committee and Compensation Advisory Committee in place, in which more than half of the members are the Outside Directors, to give advice to the Board of Directors. The Nomination Advisory Committee and Compensation Advisory Committee meet to deliberate on nominations of candidates for the Directors, and the compensation system and compensation level of the Directors with appropriate involvement and advice from the Outside Directors.

The following table presents members of each meeting, committee, and council as of January 1, 2021 (⊙: chairman; ○: member; □: attendee; △: observer).

Position	Name	Board of Directors' Meeting	Audit & Supervisory Board Meeting	Executive Officers' Meeting	Management Committee	Investment Council	Nomination Advisory Committee	Compensation Advisory Committee
Chairman and Representative Director	Masatoshi Kimata	⊙			○		○	
President and Representative Director	Yuichi Kitao	○		⊙	⊙		○	
Director	Masato Yoshikawa	○		○	○	⊙	○	○
Director	Toshihiko Kurosawa	○		○	○			
Director	Dai Watanabe	○		○	○			
Director	Shinji Sasaki	○						
Outside Director (Independent Executive)	Yuzuru Matsuda	○					○	○
Outside Director (Independent Executive)	Koichi Ina	○					○	○
Outside Director (Independent Executive)	Yutaro Shintaku	○					○	○
Audit & Supervisory Board Member	Toshikazu Fukuyama	□	⊙		△			
Audit & Supervisory Board Member	Yasuhiko Hiyama	□	○		△	△		
Outside Audit & Supervisory Board Member (Independent Executive)	Masaki Fujiwara	□	○					△
Outside Audit & Supervisory Board Member (Independent Executive)	Kumi Arakane	□	○					
Outside Audit & Supervisory Board Member (Independent Executive)	Yuichi Yamada	□	○					
Executive Officer	Kazuhiro Kimura			○	○	○		○

Executive Officer	Hiroto Kimura	○	○	○	○
Executive Officer	Kazushi Ito	○	○	○	
Executive Officer	Koichi Yamamoto	○	○	○	
Executive Officer	Other Executive Officers (Note)	○			

(Note)

Please refer to 1) *List of Directors and Senior Management* in (2) *Directors and Senior Management* for their names.

Pursuant to Article 427, Paragraph 1 of the Companies Act, Kubota Corporation enters into Liability Limitation Agreements with each of the Outside Directors and the Outside Audit & Supervisory Board Members, acting in good faith and without significant negligence, which limit the maximum amount of their liabilities owed to Kubota Corporation arising in connection with their failure to perform their duties to the extent permitted by the Companies Act.

b) Status of the Development of Internal Control System

As a basis of the system to ensure that the Directors, Executive Officers, and employees perform their duties in compliance with laws and regulations and its Articles of Incorporation, Kubota Corporation established the Kubota Group Charter for Action & Code of Conduct to be observed by all Directors, Executive Officers, and employees of the Kubota Group.

Kubota Corporation has a Company-wide Risk Management Committee in place in order to properly control material risks the Kubota Group might face and ensure its appropriate growth and development based on its management principles. Under the Company-wide Risk Management Committee, a department in charge designated for each risk category of management risks (the "Department in Charge") undertakes activities, such as education and training to promote compliance with laws and ethics, and performs internal audits. Kubota Corporation has established the *Kubota Hot Line*, a service counter for in-house whistle-blowing and consultations, to discover at an early stage any improper conduct that infringes on laws or other regulations and to prevent such infringements from occurring. The interests and privacy of the informant are fully protected by internal rules and regulations.

Kubota Corporation has a Financial Information Disclosure Committee in place in order to review and assess the adequacy of significant financial reporting, such as the Annual Securities Report, etc., and the effectiveness of internal controls over financial reporting.

c) Status of Risk Control Structure and Development of Information Risk Control Structure

Kubota Corporation manages risks related to compliance with laws and regulations, environment, health and safety, disasters, quality, and other risks related to the business performance of the entire Kubota Group by establishing the Department in Charge or relevant committees, which are supervised by the Company-wide Risk Management Committee, and by providing internal rules, regulations, and manuals and other guidelines to address such risks. In order to address the new risks that the Kubota Group will face, the Company-wide Risk Management Committee will assign a Department in Charge to manage such new risks.

Kubota Corporation properly keeps and controls information on the execution of duties by the Directors and the Executive Officers in accordance with its in-house rules and regulations, such as the regulations on custody of documents. Kubota Corporation also maintains a standard by which such documents are available for examination, as necessary.

d) Status of System to Ensure Appropriateness of Subsidiaries' Business Performance

Kubota Corporation has a system in place to supervise and manage both domestic and overseas subsidiaries and affiliated companies by assigning a Department in Charge and requiring it to report operational results and plans in a business review meetings held by the senior management of Kubota Corporation.

3) Others

a) Quorum of Directors

The Articles of Incorporation of Kubota Corporation state that the number of Directors is to be ten or less.

b) Requirement for the Adoption of Resolutions for Electing Directors

Kubota Corporation stipulates in its Articles of Corporation that the presence of shareholders representing one-third or more of the voting rights held by the total shareholders entitled to exercise their voting rights and a majority of the votes held by those shareholders are required for the adoption of resolutions for the approval of elected Directors.

c) Acquisition of Treasury Shares

Kubota Corporation stipulates in its Articles of Corporation that the resolutions at the Meetings of the Board of Directors enable Kubota Corporation to acquire its treasury shares under Article 165, Paragraph 2 of the Companies Act, which facilitates Kubota Corporation to exercise acquisition of treasury shares flexibly.

d) Dividend Appropriated from Surplus

Kubota Corporation stipulates in its Articles of Corporation that dividend appropriated from surplus, which is defined by Article 459, Paragraph 1 of the Companies Act, is declared by resolutions at Meetings of the Board of Directors, unless otherwise stipulated by law, so that Kubota Corporation can return profit to its shareholders flexibly.

e) Interim Dividends

Kubota Corporation stipulates in its Article of Incorporation that interim dividends shall be paid to shareholders of record on June 30 upon resolution of Meetings of the Board of Directors.

f) Requirement for the Adoption of Special Resolution of General Meeting of Shareholders

Kubota Corporation stipulates in its Articles of Incorporation that the presence of shareholders representing one-third or more of the voting rights held by the total shareholders entitled to exercise their voting rights and two-thirds of the votes held by those shareholders are required for the adoption of special resolutions of General Meetings of Shareholders under Article 309, Paragraph 2 of the Companies Act. By relaxing the requirements for a quorum for special resolutions of General Meetings of Shareholders, deliberations for those resolutions can be made in a quick and efficient manner.

(2) Directors and Senior Management

1) List of Directors and Senior Management

Male: 12, Female: 2 (percentage of females among Directors and Audit & Supervisory Board Members: 14%)

Position	Responsibility	Name	Date of birth		Business experience	Term of office	Share ownership (thousands of shares)
Chairman and Representative Director of Kubota Corporation		Masatoshi Kimata	Jun. 22, 1951	Apr. 1977	Joined Kubota Corporation	Note 3	136
				Oct. 2001	General Manager of Tsukuba Plant		
				Jun. 2005	Director of Kubota Corporation		
				Apr. 2007	Deputy General Manager of Sales Headquarters in Farm & Industrial Machinery Consolidated Division of Kubota Corporation		
				Apr. 2008	Managing Director of Kubota Corporation		
				Apr. 2009	Director and Managing Executive Officer of Kubota Corporation		
				Apr. 2009	Deputy General Manager of Farm and Industrial Machinery Consolidated Division, General Manager of Sales Headquarters in Farm and Industrial Machinery Consolidated Division of Kubota Corporation		
				Jun. 2009	Managing Executive Officer of Kubota Corporation		
				Jul. 2010	Senior Managing Executive Officer of Kubota Corporation		
				Aug. 2010	President of SIAM KUBOTA Corporation Co., Ltd.		
				Apr. 2012	General Manager of Water and Environment Domain, General Manager of Tokyo Head Office of Kubota Corporation		
				Jun. 2012	Director and Senior Managing Executive Officer of Kubota Corporation		
				Aug. 2012	Administrative Officer- Corporate Staff, General Manager of Water Engineering and Solution Division of Kubota Corporation		
				Apr. 2013	General Manager of Procurement Headquarters of Kubota Corporation		
				Apr. 2014	Representative Director and Executive Vice President of Kubota Corporation		
Jul. 2014	President and Representative Director of Kubota Corporation						
Jan. 2020	Chairman and Representative Director of Kubota Corporation (to present)						

Position	Responsibility	Name	Date of birth		Business experience	Term of office	Share ownership (thousands of shares)
President and Representative Director of Kubota Corporation		Yuichi Kitao	Jul. 15, 1956	Apr. 1979	Joined Kubota Corporation	Note 3	93
				Apr. 2005	General Manager of Tractor Engineering Dept. of Kubota Corporation		
				Apr. 2009	Executive Officer of Kubota Corporation		
				Apr. 2009	General Manager of Tractor Division of Kubota Corporation		
				Jan. 2011	President of Kubota Tractor Corporation		
				Apr. 2013	Managing Executive Officer of Kubota Corporation		
				Oct. 2013	General Manager of Farm and Utility Machinery Division, General Manager of Farm and Utility Machinery International Operations Headquarters of Kubota Corporation		
				Jun. 2014	Director and Managing Executive Officer of Kubota Corporation		
				Apr. 2015	Director and Senior Managing Executive Officer of Kubota Corporation		
				Apr. 2015	General Manager of Farm and Industrial Machinery Domain of Kubota Corporation		
				Jan. 2019	Representative Director and Executive Vice President of Kubota Corporation		
				Jan. 2019	General Manager of Farm and Industrial Machinery Consolidated Division of Kubota Corporation		
				Jun. 2019	General Manager of Innovation Center of Kubota Corporation		
Jan. 2020	President and Representative Director of Kubota Corporation (to present)						
Director and Executive Vice President of Kubota Corporation	General Manager of Planning and Control Headquarters, General Manager of Global ICT Management Dept.	Masato Yoshikawa	Jan. 27, 1959	Apr. 1981	Joined Kubota Corporation	Note 3	49
				Feb. 2008	General Manager of Ductile Iron Pipe Planning Dept. of Kubota Corporation		
				Oct. 2009	General Manager of Pipe System Planning Dept., General Manager of Ductile Iron Pipe Planning Dept. of Kubota Corporation		
				Oct. 2010	General Manager of Corporate Planning and Control Dept.		
				Apr. 2012	Executive Officer of Kubota Corporation		
				Oct. 2013	President of Kubota Tractor Corporation		
				Apr. 2015	Managing Executive Officer of Kubota Corporation		
				Mar. 2017	Director and Managing Executive Officer of Kubota Corporation		
				Jan. 2018	Director and Senior Managing Executive Officer of Kubota Corporation		
				Jan. 2019	General Manager of Planning and Control Headquarters (to present), General Manager of Global IT Management Dept. of Kubota Corporation		
				Apr. 2019	General Manager of Global ICT Headquarters of Kubota Corporation (to present)		
				Jan. 2020	Director and Executive Vice President of Kubota Corporation (to present)		

Position	Responsibility	Name	Date of birth		Business experience	Term of office	Share ownership (thousands of shares)
Director and Senior Managing Executive Officer of Kubota Corporation	General Manager of Water and Environment Infrastructure Consolidated Division, Deputy General Manager of Innovation Center, General Manager of Tokyo Head Office	Toshihiko Kurosawa	Aug. 14, 1955	Apr. 1979	Joined Kubota Corporation	Note 3	63
				May. 2003	General Manager of Pump Sales Dept. I of Kubota Corporation		
				Apr. 2005	General Manager of Pump Sales Dept. I and General Manager of Pump Sales Dept. II of Kubota Corporation		
				Apr. 2006	General Manager of Pump Division of Kubota Corporation		
				Apr. 2010	Executive Officer of Kubota Corporation		
				Apr. 2012	Deputy General Manager of Business Development Headquarters, General Manager of International Business Promotion Dept. of Kubota Corporation		
				Apr. 2013	General Manager of Strategic Business Promotion Dept. of Kubota Corporation		
				Apr. 2014	Managing Executive Officer of Kubota Corporation		
				Apr. 2014	General Manager of Water Engineering and Solution Division of Kubota Corporation		
				Jan. 2018	General Manager of Tokyo Head Office of Kubota Corporation (to present)		
				Jan. 2018	Deputy General Manager of Water and Environmental Infrastructure Domain, General Manager of Environmental Solutions Division of Kubota Corporation		
				Jan. 2019	Senior Managing Executive Officer of Kubota Corporation (to present)		
				Mar. 2019	Director of Kubota Corporation (to present)		
				Apr. 2020	Deputy General Manager of Innovation Center (to present)		
Director and Senior Managing Executive Officer of Kubota Corporation	General Manager of Farm and Industrial Machinery Consolidated Division, General Manager of Innovation Center	Dai Watanabe	Oct. 2, 1958	Apr. 1984	Joined Kubota Corporation	Note 3	65
				Jun. 2008	General Manager of Farm and Industrial Machinery International Planning and Control Dept.		
				Jan. 2012	President of Kubota Europe S.A.S.		
				Apr. 2013	Executive Officer of Kubota Corporation		
				Feb. 2014	President of Kubota Farm Machinery Europe S.A.S.		
				Dec. 2014	President of Kverneland AS		
				Sep. 2016	General Manager of Agricultural Implement Business Unit of Kubota Corporation		
				Jan. 2017	Managing Executive Officer of Kubota Corporation		
				Jan. 2017	General Manager of Agricultural Implement Division of Kubota Corporation		
				Oct. 2017	President of Kubota Holdings Europe B.V.		
				Jan. 2018	General Manager of Agricultural Implement Division of Kubota Corporation		
				Jan. 2019	Senior Managing Executive Officer of Kubota Corporation		
				Jan. 2019	General Manager of Farm and Industrial Machinery Strategy and Operations Headquarters of Kubota Corporation		
				Mar. 2019	Director and Senior Managing Executive Officer of Kubota Corporation (to present)		
Jun. 2019	Deputy General Manager of Innovation Center						
Jan. 2020	General Manager of Farm and Industrial Machinery Consolidated Division of Kubota Corporation (to present), General Manager of Innovation Center (to present)						

Position	Responsibility	Name	Date of birth		Business experience	Term of office	Share ownership (thousands of shares)
Director of Kubota Corporation		Yuzuru Matsuda	Jun. 25, 1948	Apr. 1977	Joined Kyowa Hakko Kogyo Co., Ltd. (currently, Kyowa Kirin Co., Ltd.)	Note 3	20
				Jun. 1999	Director of Drug Discovery Research Laboratories, Pharmaceutical Research Institute of Kyowa Hakko Kogyo Co., Ltd.		
				Jun. 2000	Executive Officer of Kyowa Hakko Kogyo Co., Ltd.		
				Jun. 2000	Executive Director of Pharmaceutical Research Institute of Kyowa Hakko Kogyo Co., Ltd.		
				Jun. 2002	Executive Director of Kyowa Hakko Kogyo Co., Ltd.		
				Jun. 2002	Director of Corporate Planning Department of Kyowa Hakko Kogyo Co., Ltd.		
				Jun. 2003	President and Chief Operating Officer of Kyowa Hakko Kogyo Co., Ltd.		
				Oct. 2008	President and Chief Executive Officer of Kyowa Hakko Kirin Co., Ltd. (currently, Kyowa Kirin Co., Ltd.)		
				Mar. 2012	Senior Advisor of Kyowa Hakko Kirin Co., Ltd.		
				Jun. 2012	President of Kato Memorial Bioscience Foundation		
				Jun. 2014	Director of Kubota Corporation (to present)		
				Jun. 2014	Director of BANDAI NAMCO Holdings, Inc. (to present)		
				Jun. 2015	Director of JSR Corporation (to present)		
	Jun. 2019	Director Emeritus of Kato Memorial Bioscience Foundation (to present)					

Position	Responsibility	Name	Date of birth		Business experience	Term of office	Share ownership (thousands of shares)
Director of Kubota Corporation		Koichi Ina	May 6, 1948	Apr. 1973	Joined Toyota Motor Corporation	Note 3	18
				Jan. 1998	General Manager of Motomachi Plant Machining Division of Toyota Motor Corporation		
				Jun. 2000	Division General Manager of Motomachi Plant Administration Division of Toyota Motor Corporation		
				Jun. 2002	Board of Directors of Toyota Motor Corporation		
				Jun. 2002	Plant Manager, Honsha Plant; Plant Manager, Motomachi Plant of Toyota Motor Corporation		
				Jun. 2003	Managing Officer of Toyota Motor Corporation		
				Jun. 2003	General Manager of Global Production Center of Toyota Motor Corporation		
				Jun. 2004	Plant Manager, Myochi Plant of Toyota Motor Corporation		
				Jun. 2005	Plant Manager, Takaoka Plant; Plant Manager, Tsutsumi Plant of Toyota Motor Corporation		
				Jun. 2006	Plant Manager, Miyoshi Plant of Toyota Motor Corporation		
				Jun. 2007	Senior Managing Director of Toyota Motor Corporation		
				Jun. 2007	Chief Officer, Production Planning Group; Chief Officer, Manufacturing Group of Toyota Motor Corporation		
				Jun. 2009	Adviser of Toyota Motor Corporation		
				Jun. 2009	Executive Vice President of Daihatsu Motor Co., Ltd.		
				Jun. 2010	President of Daihatsu Motor Co., Ltd.		
				Jun. 2013	Chairman of Daihatsu Motor Co., Ltd.		
				Jun. 2015	Director of Kubota Corporation (to present)		
	Jun. 2016	Adviser to the Board of Daihatsu Motor Co., Ltd.					
	Jun. 2019	Director of Sansha Electric Manufacturing Co., Ltd. (to present)					
	Jul. 2020	Chairman of Central Japan Industries Association (to present)					

Position	Responsibility	Name	Date of birth		Business experience	Term of office	Share ownership (thousands of shares)
Director of Kubota Corporation		Yutaro Shintaku	Sep. 19, 1955	Apr. 1979	Joined Toa Nenryo Kogyo K.K. (Currently, JXTG Nippon Oil & Energy Corporation)	Note 3	5
				Jan. 1999	Joined Terumo Corporation		
				Jun. 2005	Executive Officer of Terumo Corporation		
				Jun. 2006	Director and Executive Officer of Terumo Corporation		
				Jun. 2007	Director and Senior Executive Officer of Terumo Corporation		
				Jun. 2007	In charge of R&D Center, Intellectual Property Dept. and Legal Dept. of Terumo Corporation		
				Jun. 2009	Director and Managing Executive Officer of Terumo Corporation		
				Jun. 2009	General Manager of Strategy Planning Dept., In charge of Human Resources Dept. and Accounting & Finance Dept. of Terumo Corporation		
				Jun. 2010	President and Representative Director of Terumo Corporation		
				Apr. 2017	Director and Adviser of Terumo Corporation		
				Jun. 2017	Corporate Adviser of Terumo Corporation		
				Jun. 2017	Director of Santen Pharmaceutical Co., Ltd. (to present)		
				Jun. 2017	Director of J-Oil Mills, Inc. (to present)		
				Jun. 2017	Executive Trustee of Tonen International Scholarship Foundation (to present)		
				Mar. 2018	Director of Kubota Corporation (to present)		
				Apr. 2018	Visiting Professor of Hitotsubashi University Business School		
	Apr. 2019	Special Professor of Hitotsubashi University Business School (to present)					
	Sep. 2019	Director of KOZO KEIKAKU ENGINEERING Inc. (to present)					

Position	Responsibility	Name	Date of birth		Business experience	Term of office	Share ownership (thousands of shares)
Director of Kubota Corporation		Kumi Arakane	Jul. 4, 1956	Apr. 1981	Joined KOBAYASHI KOSÉ COMPANY LIMITED (currently, KOSÉ Corporation)	Note 3	4
				Mar. 2002	Senior Chief Researcher of R&D Headquarters Advanced Cosmetic Research Laboratories of KOSÉ Corporation		
				Mar. 2004	General Manager of Product Development Dept. of KOSÉ Corporation		
				Mar. 2006	Executive Officer of KOSÉ Corporation		
				Mar. 2006	Deputy Director-General of Marketing Headquarters and General Manager of Product Development Dept. of KOSÉ Corporation		
				Mar. 2010	General Manager of R&D Laboratories of KOSÉ Corporation		
				Mar. 2011	General Manager of Quality Assurance Dept. of KOSÉ Corporation		
				Mar. 2011	Marketing Supervisor-General of KOSÉ Corporation		
				Jun. 2011	Director of KOSÉ Corporation		
				Jun. 2011	In charge of Quality Assurance Dept., Customer Service Center, Purchasing Dept., Product Designing Dept. of KOSÉ Corporation		
				Jun. 2017	Audit & Supervisory Board Member of KOSÉ Corporation		
				Mar. 2019	Audit & Supervisory Board Member of Kubota Corporation		
				Mar. 2020	Director of KAGOME CO.,LTD. (to present)		
				Jun. 2020	Director of TODA CORPORATION (to present)		
Mar. 2021	Director of Kubota Corporation (to present)						
Audit & Supervisory Board Member of Kubota Corporation (Full time)		Toshikazu Fukuyama	Jun. 11, 1955	Apr. 1979	Joined Kubota Corporation	Note 4	14
				Oct. 2005	General Manager of Corporate Planning and Control Dept. of Kubota Corporation		
				Oct. 2009	Vice President of The Siam Kubota Industry Co., Ltd. (currently, SIAM KUBOTA Corporation Co., Ltd.), Director of Siam Kubota Leasing Co., Ltd.		
				Aug. 2010	Vice President of SIAM KUBOTA Corporation Co., Ltd., Director of Siam Kubota Leasing Co., Ltd.		
				Jun. 2014	Audit & Supervisory Board Member of Kubota Corporation (to present)		

Position	Responsibility	Name	Date of birth		Business experience	Term of office	Share ownership (thousands of shares)
Audit & Supervisory Board Member of Kubota Corporation (Full time)		Yasuhiko Hiyama	Dec. 25, 1957	Apr. 1981	Joined Kubota Corporation	Note 4	20
				Apr. 2008	President of Kubota Industrial Equipment Corporation		
				Apr. 2010	General Manager of Tractor Planning and Sales Promotion Dept. of Kubota Corporation		
				Apr. 2012	General Manager of Farm and Utility Machinery Planning and Sales Promotion Dept. of Kubota Corporation		
				Apr. 2014	General Manager of Farm and Utility Machinery Business Unit 1, General Manager of Farm and Utility Machinery Planning and Sales Promotion Dept. 1, General Manager of Farm and Utility Machinery Planning and Sales Promotion Dept. 2 of Kubota Corporation		
				Apr. 2015	General Manager of Tractor and Utility Machinery Business Unit of Kubota Corporation		
				Jan. 2016	Executive Officer of Kubota Corporation		
				Jan. 2017	General Manager of Compact Tractor, Turf and Utility Vehicle Business Unit of Kubota Corporation		
				Jan. 2018	Deputy General Manager of tractor Division of Kubota Corporation		
				Mar. 2018	Audit & Supervisory Board Member of Kubota Corporation (to present)		
Audit & Supervisory Board Member of Kubota Corporation (Part time)		Masaki Fujiwara	Dec. 23, 1953	Apr. 1977	Joined Matsushita Electric Industrial Co., Ltd. (currently, Panasonic Corporation)	Note 4	5
				Jan. 2000	Director of Malaysia Matsushita Television Co., Ltd.		
				Nov. 2004	General Manager of Technical Accounting Center of Matsushita Electric Industrial Co., Ltd.		
				Dec. 2006	General Manager of Accounting Center of Panasonic Corporation, AVC Networks Company		
				May 2010	President and Representative Director of Panasonic Insurance Services Japan Co., Ltd.		
				Mar. 2014	Joined Sansha Electric Manufacturing Co., Ltd.		
				Mar. 2014	Adviser of Sansha Electric Manufacturing Co., Ltd.		
				Jun. 2014	Director and Senior Managing Executive Officer of Sansha Electric Manufacturing Co., Ltd. (to present)		
				Jun. 2014	General Manager of Administrative Division of Sansha Electric Manufacturing Co., Ltd.		
				Mar. 2018	Audit & Supervisory Board Member of Kubota Corporation (to present)		
Apr. 2018	General Manager of Corporate Planning and Control Headquarters of Sansha Electric Manufacturing Co., Ltd. (to present)						

Position	Responsibility	Name	Date of birth		Business experience	Term of office	Share ownership (thousands of shares)
Audit & Supervisory Board Member of Kubota Corporation (Part time)		Yuichi Yamada	Mar. 25, 1954	Oct. 1984	Joined Asahi & Co. (currently, KPMG AZSA LLC)	Note 5	—
				Mar. 1988	Registered as a Certified Public Accountant of Japan		
				Aug. 2003	Representative Partner of Asahi & Co. (currently, KPMG AZSA LLC)		
				Jun. 2008	Board Member of KPMG AZSA & Co. (currently, KPMG AZSA LLC)		
				Sep. 2011	Deputy Tokyo Office Managing Partner of KPMG AZSA LLC		
				Jul. 2015	Chairman of Tokyo Partnership Meeting of KPMG AZSA LLC		
				Jun. 2016	Audit & Supervisory Board Member of Japan Finance Corporation (to present)		
				Jul. 2016	Representative of Yuichi Yamada Certified Public Accountant Firm (to present)		
				Jun. 2017	Audit & Supervisory Board Member of Sumitomo Metal Mining Co., Ltd. (to present)		
				Mar. 2020	Audit & Supervisory Board Member of Kubota Corporation (to present)		
Audit & Supervisory Board Member of Kubota Corporation (Part time)		Yuri Furusawa	Jul. 22, 1963	Apr. 1986	Joined the Ministry of Transport	Note 6	—
				Dec. 2000	Administrator of Organization for Economic Co-operation and Development (OECD)		
				Jul. 2004	Director for International Policy Planning, Ministry of Land, Infrastructure, Transport and Tourism		
				Jul. 2006	Director for International Affairs and Crisis Management Division, Japan Coast Guard		
				Jul. 2008	Counsellor, Cabinet Secretariat (Office of Assistant Chief Cabinet Secretary)		
				Aug. 2011	Deputy General Manager of International Sales Department, Shiseido Company, Limited		
				Jul. 2014	Assistant Vice-Minister for International Affairs, Ministry of Land, Infrastructure, Transport and Tourism		
				Sep. 2015	Vice-Commissioner of Japan Tourism Agency		
				Jun. 2016	Councillor, Cabinet Secretariat, Cabinet Bureau of Personnel Affairs		
				Jul. 2019	Minister's Secretariat, Ministry of Land, Infrastructure, Transport and Tourism		
				Jul. 2019	Resigned from the Ministry of Land, Infrastructure, Transport and Tourism		
				Mar. 2021	Audit & Supervisory Board Member of Kubota Corporation (to present)		
Total							498

(Notes)

1. Among the Directors, Yuzuru Matsuda, Koichi Ina, Yutaro Shintaku, and Kumi Arakane are the Outside Directors.
2. Among the Audit & Supervisory Board Members, Masaki Fujiwara, Yuichi Yamada, and Yuri Furusawa are the Outside Audit & Supervisory Board Members.
3. The terms of office of the Directors will expire at the close of the Ordinary General Meeting of Shareholders for the year ending December 31, 2021 and began with the election at the Ordinary General Meeting of Shareholders for the year ended December 31, 2020.
4. The terms of office of the Audit & Supervisory Board Members will expire at the close of the Ordinary General Meeting of Shareholders for the year ending December 31, 2021 and began with the election at the Ordinary General Meeting of Shareholders for the year ended December 31, 2017.
5. The terms of office of the Audit & Supervisory Board Members will expire at the close of the Ordinary General Meeting of Shareholders for the year ending December 31, 2023 and began with the election at the Ordinary General Meeting of Shareholders for the year ended December 31, 2019.

6. The terms of office of the Audit & Supervisory Board Members will expire at the close of the Ordinary General Meeting of Shareholders for the year ending December 31, 2024 and began with the election at the Ordinary General Meeting of Shareholders for the year ended December 31, 2020.
7. Kubota Corporation adopted the Executive Officer System. The Executive Officers, excluding persons who also hold the post of Director as of the filing date, are as follows:

Title	Name	Responsibility
Senior Managing Executive Officer of Kubota Corporation	Haruyuki Yoshida	President of Kubota Tractor Corporation, President of Kubota North America Corporation
Senior Managing Executive Officer of Kubota Corporation	Yuji Tomiyama	Deputy General Manager of Farm and Industrial Machinery Consolidated Division, General Manager of Tractor Division
Senior Managing Executive Officer of Kubota Corporation	Kazuhiro Kimura	General Manager of Corporate Compliance and Risk Management Headquarters, General Manager of Human Resources and General Affairs Headquarters, General Manager of Head Office
Managing Executive Officer of Kubota Corporation	Kaoru Hamada	Deputy General Manager of Research and Development Headquarters, General Manager of Water and Environment R&D
Managing Executive Officer of Kubota Corporation	Yasuo Nakata	General Manager of Quality Assurance Headquarters
Managing Executive Officer of Kubota Corporation	Takao Shomura	General Manager of Harvester and Transplanter Division
Managing Executive Officer of Kubota Corporation	Kazunari Shimokawa	General Manager of Agricultural Implement Division
Managing Executive Officer of Kubota Corporation	Mutsuo Uchida	Deputy General Manager of Water and Environment Infrastructure Consolidated Division
Managing Executive Officer of Kubota Corporation	Nobuyuki Ishii	General Manager of Farm and Industrial Machinery Strategy and Operations Headquarters, General Manager of ASEAN Farm and Industrial Machinery Strategy and Operations Headquarters
Managing Executive Officer of Kubota Corporation	Kazuhiro Shinabe	General Manager of Environmental Solutions Division
Managing Executive Officer of Kubota Corporation	Ryuichi Minami	Deputy General Manager of ASEAN Farm and Industrial Machinery Strategy and Operations Headquarters
Managing Executive Officer of Kubota Corporation	Yoshimitsu Ishibashi	Deputy General Manager of Tractor Division, General Manager of Compact Tractor Division, General Manager of Outdoor Power Equipment Division
Managing Executive Officer of Kubota Corporation	Yasukazu Kamada	General Manager of Engine Division
Managing Executive Officer of Kubota Corporation	Katsuhiko Yukawa	General Manager of Construction Machinery Division
Managing Executive Officer of Kubota Corporation	Ryoji Kuroda	General Manager of Health and Safety Promotion Headquarters
Managing Executive Officer of Kubota Corporation	Eiji Yoshioka	General Manager of Pipe Systems and Infrastructure Division
Managing Executive Officer of Kubota Corporation	Hiroto Kimura	General Manager of Research and Development Headquarters, Deputy General Manager of Innovation Center, General Manager of Carbon Neutral Promotion Department
Managing Executive Officer of Kubota Corporation	Muneji Okamoto	Deputy General Manager of Research and Development Headquarters, General Manager of Farm and Industrial Machinery Engineering Headquarters
Executive Officer of Kubota Corporation	Koichiro Kan	General Manager of Agricultural Tractor Division
Executive Officer of Kubota Corporation	Hirohiko Arai	President of Kubota Manufacturing of America Corporation, President of Kubota Industrial Equipment Corporation
Executive Officer of Kubota Corporation	Tomohiro Iitsuka	General Manager of Farm Machinery Japan Operation, President of Kubota Agri Service Corporation
Executive Officer of Kubota Corporation	Kazushi Ito	Deputy General Manager of Planning and Control Headquarters
Executive Officer of Kubota Corporation	Koichi Yamamoto	General Manager of Manufacturing Engineering Headquarters
Executive Officer of Kubota Corporation	Mampeï Yamamoto	General Manager of Procurement Headquarters, General Manager of Sakai Plant
Executive Officer of Kubota Corporation	Hitoshi Inada	Deputy General Manager of Pipe Systems and Infrastructure Division

Executive Officer of Kubota Corporation	Shingo Hanada	President of Kverneland AS, President of Kubota Holdings Europe B.V.
Executive Officer of Kubota Corporation	Nobushige Ichikawa	President of Kubota Europe S.A.S., Vice President of Kubota Holdings Europe B.V.
Executive Officer of Kubota Corporation	Shinichi Fukuhara	Deputy General Manager of Environmental Solutions Division, General Manager of Environmental Engineering Business Unit
Executive Officer of Kubota Corporation	Hideki Mori	General Manager of Customer Solutions Division
Executive Officer of Kubota Corporation	Junji Ota	General Manager of Farm and Industrial Machinery Strategy and Operations Department
Executive Officer of Kubota Corporation	Takanobu Azuma	President of SIAM KUBOTA Corporation Co., Ltd.

2) Outside Directors and Outside Audit & Supervisory Board Members

Kubota Corporation elects four Outside Directors and three Outside Audit & Supervisory Board Members. In selecting candidates for the positions of the Outside Directors and the Outside Audit & Supervisory Board Members, Kubota Corporation considers experience outside Kubota Corporation, professional insight, and other qualifications, and makes a recommendation for their suitability at the General Meeting of Shareholders after approval by the Board of Directors. Kubota Corporation established policies related to criteria for independence when electing the Outside Directors by reference to the rules for Independent Executives defined by the TSE. Kubota Corporation elects those who have no conflict of interest with ordinary shareholders accordingly.

Kubota Corporation elected Yuzuru Matsuda as an Outside Director since Kubota Corporation wishes to receive his advice about general management based on his adequate experience and considerable insight in management which he acquired through his duties as the long-time president of a listed company. Kubota Corporation has no business relationship with Kato Memorial Bioscience Foundation, BANDAI NAMCO Holdings, Inc., and JSR Corporation, for which Mr. Matsuda concurrently plays an important role. Kubota Corporation places him as an Independent Executive since there is no particular vested interest between Kubota Corporation and him, and there appears to be no conflict of interest with ordinary shareholders.

Kubota Corporation elected Koichi Ina as an Outside Director since Kubota Corporation wishes to receive his advice about general management based on his adequate experience and considerable insight into management which he acquired through his duties as a president, chairman, and plant and manufacturing manager in the motor vehicle industry. Kubota Corporation has a business relationship with Daihatsu Motor Co., Ltd., at which Mr. Ina started his career, but the amount arising from the above transactions for the year ended December 31, 2020 was less than 2% of total consolidated revenues of the Company. Kubota Corporation has no business relationship with Sansha Electric Manufacturing Co., Ltd. and Central Japan Industries Association for which Mr. Ina concurrently plays an important role. Kubota Corporation places him as an Independent Executive since there is no particular vested interest between Kubota Corporation and him, and there appears to be no conflict of interest with ordinary shareholders.

Kubota Corporation elected Yutaro Shintaku as an Outside Director since Kubota Corporation wishes to receive his advice about general management based on his accomplishments in actively promoting strategy and experience which he acquired through his duties as a member of the senior management of a medical device manufacturer. Kubota Corporation has no business relationship with Terumo Corporation, at which Mr. Shintaku started his career, and Santen Pharmaceutical Co., Ltd., J-Oil Mills, Inc., Tonen International Scholarship Foundation, and Hitotsubashi University Business School, for which Mr. Shintaku concurrently plays an important role. Kubota Corporation has a business relationship with KOZO KEIKAKU ENGINEERING Inc., for which Mr. Shintaku concurrently plays an important role, but the amount arising from the above transactions for the year ended December 31, 2020 was less than 2% of total consolidated revenue of the Company. Kubota Corporation places him as an Independent Executive since there is no particular vested interest between Kubota Corporation and him, and there appears to be no conflict of interest with ordinary shareholders.

Kubota Corporation elected Kumi Arakane as an Outside Director since Kubota Corporation wishes to receive her advice about general management based on her long career at cosmetics manufacturer serving as a Director and being in charge of various areas of business, including product development, research, quality control, and purchasing. Kubota Corporation has no business relationship with KOSÉ Corporation, at which Ms. Arakane started her career, and KAGOME Co., Ltd. and TODA CORPORATION, for which Ms. Arakane concurrently plays an important role. Kubota Corporation places her as an Independent Executive since there is no particular vested interest between Kubota Corporation and her, and there appears to be no conflict of interest with ordinary shareholders.

Kubota Corporation elected Masaki Fujiwara as an Outside Audit & Supervisory Board Member since Kubota Corporation expects him to further enhance its auditing procedures during this period of further global advancement of the Company. Having served in key administrative and executive roles at Panasonic Corporation and its subsidiaries and affiliated companies, he has both considerable knowledge relating to administration and corporate accounting, and a good feel for global business through his long-standing experience stationed overseas. Kubota Corporation has no business relationship with Sansha Electric Manufacturing Co., Ltd., for which Mr. Fujiwara concurrently plays an important role. Kubota Corporation places him as an Independent Executive since there is no particular vested interest between Kubota Corporation and him, and there seems to be no conflict of interest with ordinary shareholders.

Kubota Corporation elected Yuichi Yamada as an Outside Audit & Supervisory Board Member since Kubota Corporation expects him to further enhance its auditing processes through his expert viewpoints and from an independent standpoint. Having gained extensive experience and 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 outside audit & supervisory board member for other companies. Kubota Corporation has no business relationship with Japan Finance Corporation, Yuichi Yamada Certified Public Accountant Firm, and Sumitomo Metal Mining Co., Ltd., for which Mr. Yamada concurrently plays an important role. Kubota Corporation places him as an Independent Executive since there is no particular vested interest between Kubota Corporation and him, and there seems to be no conflict of interest with ordinary shareholders.

Kubota Corporation elected Yuri Furusawa as an Outside Audit & Supervisory Board Member since Kubota Corporation expects her to further enhance its auditing processes through her wide experience and expert viewpoints which she had acquired by working in various positions domestically and internationally as a member of central government ministries. In addition, she has also experienced business development globally and promoted work style reform, women's activity, and diversity in the center of the government. Kubota Corporation places her as an Independent Executive since there is no particular vested interest between Kubota Corporation and her, and there seems to be no conflict of interest with ordinary shareholders.

Share ownership of Kubota Corporation by the Outside Directors and the Outside Audit & Supervisory Board Members is stated in *1) List of Directors and Senior Management*. There is no material vested interest which might have a conflict of interest with ordinary shareholders. Kubota Corporation has notified the TSE that all Outside Directors and Audit & Supervisory Board Members are Independent Executives as defined by the TSE.

The Outside Directors also collaborate with Independent Auditors and internal control departments as described in *(3) Status of Audit, 1) Status of Internal Audit and Audit by Audit & Supervisory Board Members*.

(3) Status of Audit

1) Status of Audit by Audit & Supervisory Board Members

Kubota Corporation has five Auditor (three are Outside Auditor), and Mr. Yuichi Yamada, an Outside Audit & Supervisory Board Member of the company, is a certified public accountant and has adequate knowledge regarding accounting and finance, including IFRS.

Kubota Corporation established the Office of Audit & Supervisory Board Members and has assigned five employees to exclusively support the Audit & Supervisory Board Members in performing their duties. Those employees' independence is ensured as the employees' appointment and evaluation require a discussion with and consent from the Audit & Supervisory Board Members. As of March 19, 2020, Kubota Corporation places four members in the Office of Audit & Supervisory Board Members, to engage in audits exclusively for subsidiaries in order to provide support for the Kubota Corporation's Audit & Supervisory Board Members and improve internal control over the Kubota Group. Also,

Kubota Corporation put in place a system where in any expenses incurred related to execution of duties by the Audit & Supervisory Board Members are to be disbursed with no delay.

The Audit & Supervisory Board is operated once a month regularly, and held as needed. The company held the meeting 14 times for the year ended December 31, 2020, and each members had attended them as follows:

Position	Name	Attendance number	Attendance rate
Audit & Supervisory Board Member of Kubota Corporation (Full time)	Toshikazu Fukuyama	14	100%
Audit & Supervisory Board Member of Kubota Corporation (Full time)	Yasuhiko Hiyama	14	100%
Audit & Supervisory Board Member of Kubota Corporation (Part time)	Masaki Fujiwara	14	100%
Audit & Supervisory Board Member of Kubota Corporation (Part time)	Kumi Arakane	14	100%
Audit & Supervisory Board Member of Kubota Corporation (Part time)	Yuichi Yamada	11	100%*

Note: calculated the rate based on the meeting held after his attendance, March, 19, 2020

The main matters considered by the Audit & Supervisory Board are the auditing policies and division of duties, status of the establishment and operation of internal control systems, evaluation of the Independent Auditor and determining their appointment and reappointment, the audit report and other matters.

In accordance with the auditing policies, division of duties, and standards for the Audit & Supervisory Board Members as established by the Audit & Supervisory Board, the Audit & Supervisory Board Members communicate with the Directors, the internal audit department, employees, and others; commit to gathering information and enhancing the audit environment; attend meetings of the Board of Directors and other important meetings; receive reports from the Directors, employees, and others regarding the performance of their duties; request explanations as necessary; inspect important documents supporting decisions and other records; and examine the status of operations and assets at the head office and important operating locations.

In addition, the Audit & Supervisory Board Members periodically receive reports from the Directors, employees, and others regarding the status of the development and operation of internal control systems; request explanations as necessary; and express opinions.

As for the subsidiaries, the Audit & Supervisory Board Members concurrently serve as Audit & Supervisory Board Members of major subsidiaries in Japan and audit the execution of management duties according to the auditing policies and plans established by the Audit & Supervisory Board. In addition, full-time Audit & Supervisory Board Members of subsidiaries are placed at some of the main subsidiaries in Japan in order to strengthen the monitoring system of the subsidiaries.

The Audit & Supervisory Board monitor and verify whether the Independent Auditor makes appropriate audits while maintaining its independence. In addition, the Audit & Supervisory Board receive reports from the Independent Auditor on its operations and request explanations as necessary.

Although it was difficult for the Audit & Supervisory Board to conduct on-site audits in Japan and overseas during the fiscal year due to the impact of the spread of COVID-19, the Audit & Supervisory Board was able to conduct appropriate audits through online meetings. Going forward, the Audit & Supervisory Board will conduct appropriate audits using digital technology when it is difficult to visit the sites.

2) Status of internal audit

Internal audit on the Company's internal control over financial reporting is conducted by the Corporate Auditing Department, which is independent from all other departments of the Company and made up of 14 employees who have the necessary expertise. Internal audits on other risks are conducted by the relevant Department in Charge, and secondary internal audits are conducted by the independent Corporate Auditing Department in order to ensure the adequacy of preceding internal audits. Internal audits are conducted on site or remotely through documentation reviews, based on audit plans previously approved by the President.

Internal audit departments and the Independent Auditors of Kubota Corporation report audit plans and the results of audits to the Audit & Supervisory Board Members periodically, and as needed, collaborate with each other. Effective cooperation in the auditing activities between the internal audit departments and the Independent Auditors of Kubota Corporation is also established, whereby they are able to exchange information with each other, if such a need arises.

Audit findings are discussed for improvement by each department, and the Department in Charge and audits are re-performed to ensure that the necessary improvements are being made. Risk control activities, such as awareness-raising, educational activities, audits, identification of issues, improvements, and re-performed audits, are conducted during these audits by each department. The results and countermeasures developed are reported to the Company-wide Risk Management Committee, which is responsible for internal control. The Company-wide Risk Management Committee reports the status of Kubota Corporation's internal control to the President and the Board of Directors. Through these activity cycles, Kubota Corporation seeks to establish and strengthen its internal control and enhance the quality of business execution.

Because of the impact of COVID-19, from April, all internal audit activities both in overseas and some domestic locations were cancelled, but an appropriate audit was implemented by utilizing web meeting systems instead. We will continue to use digital technology to carry out appropriate audits in cases where onsite inspections are difficult.

3) Status of Accounting Audit

a) Name of Independent Auditors

Deloitte Touche Tohmatsu LLC ("DTT")

b) The number of consecutive years they have conducted audits

From 1968

c) Certified public accountants who performed the work

Mr. Koichiro Tsukuda, Mr. Takeshi Ito, and Mr. Hideaki Takagi

d) Composition of assistants who supported the audit work

21 other CPAs, 3 junior accountants, and 39 other staff members

e) Policies of and reasons for an evaluation, appointment, and reappointment of Independent Auditors by the Audit & Supervisory Board

The Audit & Supervisory Board confirms and evaluates independency of the auditing system conducted by Independent Auditors, its quality, and accounting fees, and determines the validity of appointment and reappointment of Independent Auditors. Based on the thorough investigation of the aforementioned points, the Kubota Corporation reappointed DTT as its Independent Auditors for the year ended December 31, 2020.

In the case that the Independent Auditor falls under any of the items of Article 340, paragraph 1 of the Companies Act, the Audit & Supervisory Board may dismiss the Independent Auditor by unanimous approval of the Audit & Supervisory Board Members.

In the case that the Independent Auditors is not appropriately qualified, or other reasons is ineligible to execute their duties as an accounting auditor pursuant to the disqualifying criteria of Article 337, paragraph 3 of the Companies Act, and that it is not appropriate to reappoint them as the Independent Auditor comprehensively taking into account the status of the duties executed on audit and other factors, the Audit & Supervisory Board may submit a proposal to dismiss or not to reappoint the Independent Auditor by the resolution of the Audit & Supervisory Board.

4) Details of Auditing Fees and Other Matters

a) Details of Fees Paid to Independent Auditors

Company	Year ended December 31, 2020		Year ended December 31, 2019	
	Fees for auditing services (millions of yen)	Fees for non-auditing services (millions of yen)	Fees for auditing services (millions of yen)	Fees for non-auditing services (millions of yen)
Kubota Corporation	¥ 285	¥ 4	¥ 302	¥ —
Consolidated subsidiaries	23	2	23	—
Total	¥ 308	¥ 6	¥ 325	¥ —

Non-audit services in fiscal year 2020 include financial consultation services.

b) Details of Fees Paid to Independent Firms Affiliated with the Same Network (Deloitte Touche Tohmatsu LLC) (except table above)

Company	Year ended December 31, 2020		Year ended December 31, 2019	
	Fees for auditing services (millions of yen)	Fees for non-auditing services (millions of yen)	Fees for auditing services (millions of yen)	Fees for non-auditing services (millions of yen)
Kubota Corporation	¥ —	¥ 713	¥ —	¥ 467
Consolidated subsidiaries	602	290	636	269
Total	¥ 602	¥ 1,003	¥ 636	¥ 736

Non-audit services in fiscal year 2020 and 2019 include tax-related services and various advisory services

c) Details of Other Significant Fees

Not applicable.

d) Policy for Determining Audit Fees

In determining audit fees, factors such as the number of days required for auditing are taken into account. The approval of the Audit & Supervisory Board is obtained, and consideration is taken not to impair the independence of certified public accounting firms when decisions on fees are made.

e) The reasons to agree on the compensation to Independent Auditors

The Audit & Supervisory Board confirmed and deliberated the content of the Independent Auditor's audit plans, the appropriateness of the status of the duties executed on audit, and calculation base of estimated amount of compensation, with related materials and reports from the Directors, relevant divisions of Kubota Corporation, and the Independent Auditor. Consequently, the Audit & Supervisory Board concluded that they were appropriate and agreed to the above amount.

(4) Compensation of Directors and Senior Managements

1) Policy for Determination of Remuneration, etc. and Calculation Method for Directors and Executive Officers

Kubota Corporation's remuneration plan for the Directors and Senior Managements is designed and put in place in order to sustain corporate growth in the areas of food, water, and the environment and share corporate value with shareholders.

The remuneration for the Directors (excluding Outside Directors) consists of basic remuneration, which is set by each position, variable remuneration (bonuses for Directors) which acts as a short-term incentive linked to performance in a single fiscal year, and restricted stock compensation which is regarded as a medium- to long-term incentive. The remuneration for the Outside Directors and Audit & Supervisory Board Members consists of basic remuneration only because of the roles they play and the need to preserve their independence.

The maximum aggregate amount of cash remuneration for the Directors was set at ¥510 million or less per year (¥80 million or less per year for the Outside Directors) at the 131st General Meeting of Shareholders held on March 19, 2021. The maximum aggregate amount of stock remuneration for the Directors was set at ¥300 million or less per year and the total number of common shares of Kubota Corporation to be issued or disposed of was set at 400,000 shares or less per year at the 127th General Meeting of Shareholders held on March 24, 2017.

The maximum aggregate amount of remuneration for Audit & Supervisory Board Members was set at ¥144 million or less per year at the 119th General Meeting of Shareholders held on June 19, 2009.

Kubota Corporation's remuneration plan for the Directors and Senior Managements are deliberated by the Compensation Advisory Committee and then determined by the Board of Directors in order to increase equality and transparency. The Compensation Advisory Committee consists of Outside Directors, the Director in charge of secretarial affairs, and the Director in charge of financial affairs, and one observer: the Outside Audit & Supervisory Board Member, as a finance expert. The Compensation Advisory Committee deliberates on the following issues:

- a) matters related to remuneration for the Directors and the Executive Officers;
- b) matters related to bonuses for the Directors and the Executive Officers;
- c) matters related to remuneration for the Special Corporate Advisor and Advisors; and

d) other matters delegated by the Board of Directors.

The Compensation Advisory Committee met three times during the fiscal year (one of which was a written resolution) to discuss both the consistency of compensation levels paid to the Directors, Executive Officers, and Advisors, as well as the appropriateness of the stock compensation plan. The appropriateness of compensation levels is verified by the Compensation Advisory Committee, based mainly on a management compensation database for major domestic companies provided by external specialist organizations.

2) Performance-linked compensation for a single fiscal year

Kubota Corporation does not fix the ratio of performance-linked remuneration, and it is designed so that the ratio of performance-linked remuneration to total remuneration for the Directors increases as *profit for the year* increases. In the fiscal year 2020, the ratio of non-performance-linked remuneration (basic compensation and stock compensation) to performance-linked remuneration was roughly 6: 4, with the higher the position, the higher the ratio of performance-linked remuneration.

Performance-linked remuneration shows the degree of performance achievement and is decided by determining the amount of bonus for each position conjunction with *profit attributable to the owner of the parent* which is an index used to return profits to shareholders, taking into consideration the degree of performance achievement in organizations of which the individual is in charge.

3) Restricted Stock Compensation

Kubota Corporation has adopted the restricted stock compensation plan as an incentive for the Directors (excluding the Outside Directors) to continuously increase corporate value and to further share its value with shareholders. Stock compensation generally accounts for approximately 15% of total compensation.

4) Compensation of Audit & Supervisory Board Members

The remuneration for the Audit & Supervisory Board Members is determined after consultation among the Audit & Supervisory Board Members within the range of the maximum aggregate amount of remuneration approved at the General Meeting of Shareholders in consideration of the roles of the respective Audit & Supervisory Board Members.

5) Compensation by Position

The aggregate compensation paid by Kubota Corporation for the year ended December 31, 2020 to the Directors and the Audit & Supervisory Board Members was as follows:

Position	Number of persons	Total amount of compensation (millions of yen)	Total amount by type (millions of yen)		
			Remunerations	Bonuses	Restricted stock compensation
Directors (excluding Outside Directors)	6	¥ 815	¥ 405	¥ 302	¥ 108
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	2	78	78	—	—
Outside Directors	3	51	51	—	—
Outside Audit & Supervisory Board Members	3	38	38	—	—

(Notes)

1. The amount of restricted stock compensation stated in the table above is the amount recognized as expense during the current fiscal year.

6) Consolidated Compensation by Directors and Audit & Supervisory Board Members

The aggregate compensation paid by the Company for the year ended December 31, 2020 to the Directors and the Audit & Supervisory Board Members was as follows:

Name	Total amount of consolidated compensation (millions of yen)	Position	Company	Total amount by type (millions of yen)		
				Remuneration	Bonuses	Restricted stock compensation
Masatoshi Kimata	¥ 215	Director	Kubota Corporation	¥ 102	¥ 83	¥ 30
Yuichi Kitao	212	Director	Kubota Corporation	102	83	27
Masato Yoshikawa	117	Director	Kubota Corporation	58	43	16

(Note)

The above includes only Directors and Audit & Supervisory Board Members who received ¥100 million or more as total consolidated compensation.

(5) Information on Shareholdings

1) Criteria for Classification of Investment Securities

Kubota Corporation classifies investment securities into the following two categories. The investment securities that are held for the purpose of being benefited exclusively through share price fluctuations and dividends, are classified as investment securities for pure investment purpose. The rest of investment securities are classified as investment securities held for purposes other than pure investment.

2) Investment Securities Held for Purposes Other than Pure Investment

a) Examination Methods of the Shareholding Policies and Rationality and Details of Verification at the Board of Directors Concerning Appropriateness of Holding Each Shares

Kubota Corporation believes it is necessary to cooperate with various companies in every business process, such as product development, manufacturing, distribution, sales, service, and funding, to succeed in global competition and realize its sustainable growth and improvement of corporate value over the medium to long term. From this perspective, Kubota Corporation maintains cross-shareholdings based on comprehensive consideration of business relationships and the business strategies.

Kubota Corporation's policy for cross-shareholdings is to examine each individual share at the meetings of the Board of Directors every year to see whether or not the shareholding is appropriate, based on comprehensive consideration of the holding purpose, benefits and risks involved in the shareholdings and others, and decrease its shareholdings gradually in light of the market environment and other factors when it determines that maintaining them is no longer appropriate. In the fiscal year ended December 31, 2020, Kubota Corporation sold ¥34.2 billion of its listed and unlisted equity securities.

b) Number of Issues and Amount Recorded in the Balance Sheets

	Number of issues (issuers)	Total amount recorded in balance sheets (millions of yen)
Unlisted shares	33	¥ 4,182
Other than unlisted shares	44	89,656

Increase in the number of shares held for the year ended December 31, 2020

	Number of issues (issuers)	Total amount acquired due to increase in number of shares held (millions of yen)	Reasons of increase
Unlisted shares	5	¥ 1,944	Investment for the pursuit of open innovation based on coordination with external partners
Other than unlisted shares	2	15,602	Investment to strengthen the relation with joint partner and accelerate the expansion of businesses

Decrease in the number of shares held for the year ended December 31, 2020

	Number of issues (issuers)	Total amount sold due to decrease in number of shares held (millions of yen)
Unlisted shares	2	¥ 1,918
Other than unlisted shares	13	32,380

c) Information on the Issues, the Number of Shares, and the Amount of Specified Investment Securities and Deemed Shareholdings Recorded in the Balance Sheets

Specified Investment Securities

Issue	As of December 31,2020	As of December 31,2019	Purpose of holding, quantitative effect of holding, reason of increase in the number of shares held	Ownership of Kubota Corporation share: Y/N
	Number of shares (thousands of shares)	Number of shares (thousands of shares)		
	Balance sheet amount (millions of yen)	Balance sheet amount (millions of yen)		
Escorts Ltd.	12,257	—	Purchased in the fiscal year 2020 for the purpose of enhancing business relationships with the joint company and expansion in the Farm & Industrial Machinery business	N
	21,938	—		
Toho Gas Co., Ltd.	1,439	1,439	Held for the purpose of maintaining and enhancing business relationships in the Water & Environment business	Y
	9,831	6,419		
Shin-Etsu Chemical Co., Ltd.	464	464	Held for the purpose of maintaining stable procurement in the Water & Environment business	Y
	8,381	5,603		
Daikin Industries, Ltd.	350	350	Held for the purpose of maintaining stable procurement in the Farm & Industrial Machinery business	Y
	8,035	5,416		
Sumitomo Mitsui Trust Holdings, Inc.	2,261	2,385	Held for the purpose of maintaining stable funding Sold part of shares during the fiscal year 2020	N (*)
	7,185	10,344		
Osaka Gas Co., Ltd.	3,125	3,125	Held for the purpose of maintaining and enhancing business relationships in the Water & Environment business	Y
	6,601	6,536		
Sumitomo Mitsui Financial Group, Inc.	1,745	2,278	Held for the purpose of maintaining stable funding Sold part of shares during the fiscal year 2020	N (*)
	5,565	9,198		
Mitsubishi UFJ Financial Group, Inc.	6,062	10,667	Held for the purpose of maintaining stable funding Sold part of shares during the fiscal year 2020	N (*)
	2,765	6,327		
Daiwa House Industry Co., Ltd.	609	609	As a result of examination, planning to sell with keeping eyes on the market environment	Y
	1,865	2,064		
Saibu Gas Co., Ltd.	586	586	Held for the purpose of maintaining and enhancing business relationships in the Water & Environment business	N
	1,823	1,490		
Mitsubishi Estate Co., Ltd.	1,052	1,052	Held for the purpose of maintaining and enhancing business relationships in the Water & Environment business	Y
	1,743	2,198		
Sumitomo Corporation	1,222	1,222	As a result of examination, planning to sell with keeping eyes on the market environment	Y
	1,668	1,984		
Yamazen Corporation	1,055	1,055	Held for the purpose of maintaining stable procurement in the Farm & Industrial Machinery business	Y
	1,089	1,155		

Denyo Co., Ltd.	500	500	Held for the purpose of maintaining and enhancing business relationships in the Farm & Industrial Machinery business	Y
	1,076	1,037		
Nankai Electric Railway Co., Ltd.	366	366	Held for the purpose of maintaining and enhancing relationships in the local economy	Y
	959	1,087		

Issue	As of December 31,2020	As of December 31,2019	Purpose of holding, quantitative effect of holding, reason of increase in the number of shares held	Ownership of Kubota Corporation share:
	Number of shares (thousands of shares)	Number of shares (thousands of shares)		Y/N
	Balance sheet amount (millions of yen)	Balance sheet amount (millions of yen)		
Keihanshin Building Co., Ltd.	447	447	Held for the purpose of maintaining and enhancing relationships in the local economy	Y
	831	640		
Kansai Paint Co., Ltd.	246	246	Held for the purpose of maintaining stable procurement in the Farm & Industrial Machinery business	Y
	781	658		
FUJITEC CO., LTD.	322	322	Held for the purpose of maintaining and enhancing relationships in the local economy	Y
	717	572		
Sekisui House, Ltd.	324	324	Held for the purpose of maintaining and enhancing business relationships in the Water & Environment business	Y
	680	756		
Takasago Thermal Engineering Co., Ltd.	411	411	Held for the purpose of maintaining and enhancing business relationships in the Water & Environment business	Y
	643	805		
Mizuho Financial Group, Inc.	428	16,677	Held for the purpose of maintaining stable funding	N
	560	2,806	Sold part of shares during the fiscal year 2020	(*)
Takakita Co., Ltd.	660	660	Held for the purpose of maintaining stable procurement in the Farm & Industrial Machinery business	Y
	541	425		
Keneka Corporation	138	138	Held for the purpose of maintaining stable procurement in the Water & Environment business	Y
	500	487		
NTN Corporation	1,616	1,616	Held for the purpose of maintaining stable procurement in the Farm & Industrial Machinery business	Y
	428	557		
TAKARA STANDARD CO., LTD.	266	266	Held for the purpose of maintaining and enhancing business relationships in the Water & Environment business	Y
	403	524		
SHINTOKOGIO, LTD.	485	485	Held for the purpose of maintaining stable procurement in the Farm & Industrial Machinery business	Y
	373	514		
Wakita & Co., LTD	300	300	Held for the purpose of maintaining and enhancing business relationships in the Farm & Industrial Machinery business	N
	316	335		
Mitsui Chemicals, Inc.	95	95	Held for the purpose of maintaining stable procurement in the Water & Environment business	N
	288	255		
JTEKT CORPORATION	357	357	Held for the purpose of maintaining stable procurement in the Farm & Industrial Machinery business	Y
	285	464		
NOK CORPORATION	246	246	Held for the purpose of maintaining stable procurement in the Farm & Industrial Machinery business	Y
	273	404		

YOROZU CORPORATION	250	66	Held for the purpose of maintaining stable procurement in the Farm & Industrial Machinery business	Y
	259	96	Purchased some shares during fiscal year 2020 to strengthen relationship more	
Obayashi Corporation	270	270	Held for the purpose of maintaining and enhancing business relationships in the Water & Environment business	Y
	240	328		
<hr/>				
Issue	As of December 31,2020	As of December 31,2019	Purpose of holding, quantitative effect of holding, reason of increase in the number of shares held	Ownership of Kubota Corporation share: Y/N
	Number of shares (thousands of shares)	Number of shares (thousands of shares)		
	Balance sheet amount (millions of yen)	Balance sheet amount (millions of yen)		
Yamato Kogyo Co., Ltd.	60	60	Held for the purpose of maintaining and enhancing business relationships in the Water & Environment business	N
	165	164		
NIKKATO CORPORATION	200	200	Held for the purpose of maintaining stable procurement in the Water & Environment business	Y
	152	154		
Maruyama Mfg. Co., Inc.	95	95	Held for the purpose of maintaining stable procurement in the Farm & Industrial Machinery business	Y
	142	116		
SHIMIZU CORPORATION	138	138	Held for the purpose of maintaining and enhancing business relationships in the Water & Environment business	Y
	103	154		
DAIICHI JITSUGYO CO., LTD.	24	24	Held for the purpose of maintaining stable procurement in the Water & Environment business	Y
	98	92		
YUASA TRADING CO., LTD.	27	27	Held for the purpose of maintaining and enhancing business relationships in the Farm & Industrial Machinery business	N
	91	101		
Daido Metal Co., Ltd.	120	120	Held for the purpose of maintaining stable procurement in the Farm & Industrial Machinery business	Y
	61	91		
TODA CORPORATION	84	84	Held for the purpose of maintaining and enhancing business relationships in the Water & Environment business	Y
	57	60		
HOKUETSU INDUSTRIES CO., LTD.	50	50	Held for the purpose of maintaining and enhancing business relationships in the Farm & Industrial Machinery business	N
	52	65		
OKAYA & CO., LTD.	4	4	Held for the purpose of maintaining and enhancing business relationships in the Water & Environment business	Y
	32	40		
ASIA PILE HOLDING CORPORATION	55	55	Held for the purpose of maintaining and enhancing business relationships in the Water & Environment business	N
	26	33		
Kitagawa Corporation	11	11	Held for the purpose of maintaining stable procurement in the Farm & Industrial Machinery business	Y
	14	26		
Cummins Inc.	—	1,455	As a result of examination, sold completely	N
	—	28,527		
MS & AD Insurance Group Holdings, Inc.	—	279	As a result of examination, sold completely	N
	—	1,008		
DENSO CORPORATION	—	88	As a result of examination, sold completely	N
	—	437		

Sapporo Holdings Limited	—	106	As a result of examination, sold completely	N
	—	274		
The Nanto Bank, Ltd.	—	73	As a result of examination, sold completely	N
	—	203		
Nishimatsu Construction Co., Ltd.	—	63	As a result of examination, sold completely	N
	—	156		
	As of December 31,2020	As of December 31,2019		
	Number of shares (thousands of shares)	Number of shares (thousands of shares)	Purpose of holding, quantitative effect of holding, reason of increase in the number of shares held	Ownership of Kubota Corporation share: Y/N
	Balance sheet amount (millions of yen)	Balance sheet amount (millions of yen)		
Issue				
NIPPON STEEL CORPORATION	—	69	As a result of examination, sold completely	N
	—	114		
DAIDO KOGYO CO., LTD.	—	20	As a result of examination, sold completely	N
	—	16		
Keiyo Gas Co., Ltd.	—	4	As a result of examination, sold completely	N
	—	12		

(Notes)

- Since it is difficult to state the quantitative effect of holding, such effects are not described. However, the appropriateness of each holding is verified by each issue in accordance with the way described at a) *Examination Methods of the Shareholding Policies and Rationality and Details of Verification at the Board of Directors Concerning Appropriateness of Holding Each Shares* in this section.
- N (*) indicates that the issuer does not hold Kubota Corporation's shares but its subsidiary does.

Deemed Shareholdings

	As of December 31,2020	As of December 31,2019		Ownership of Kubota Corporation share: Y/N
	Number of shares (thousands of shares)	Number of shares (thousands of shares)	Purpose of holding, quantitative effect of holding, reason of increase in the number of shares held	
	Balance sheet amount (millions of yen)	Balance sheet amount (millions of yen)		
Issue				
Shin-Etsu Chemical Co., Ltd.	620	620	Restriction on exercising its voting rights	Y
	11,184	7,477		
Mizuho Financial Group, Inc.	1,720	17,201	Restriction on exercising its voting rights	N
	2,249	2,894		(*)
Sumitomo Mitsui Financial Group, Inc.	641	641	Restriction on exercising its voting rights	N
	2,046	2,591		(*)
Mitsubishi UFJ Financial Group, Inc.	3,344	3,344	Restriction on exercising its voting rights	N
	1,525	1,983		(*)
Sumitomo Corporation	1,000	1,000	As a result of examination, planning to sell with keeping eyes on the market environment	Y
	1,365	1,624		
Kaneka Corporation	207	207	Restriction on exercising its voting rights	Y
	750	731		

SCSK Corporation	34	34	Restriction on exercising its voting rights	
	202	194		N

(Notes)

1. Since it is difficult to state the quantitative effect of holding, such effects are not described. However, the appropriateness of each holding is verified by each issue in accordance with the way described at *a) Examination Methods of the Shareholding Policies and Rationality and Details of Verification at the Board of Directors Concerning Appropriateness of Holding Each Shares* in this section.
2. Deemed shareholdings are held through a retirement benefit trust. The amounts stated in the *Balance sheet amount* column are calculated by multiplying market price as of the balance sheet date by the number of shares of related securities. The details of rights that Kubota Corporation holds to related securities are stated in the *Purpose of holding* column.
3. N (*) indicates that the issuer does not hold Kubota Corporation's shares but its subsidiary does.

3) Equity Securities Held for Pure Investment

Not applicable.

5. Stock-Related Administration of Kubota Corporation

Fiscal year:	From January 1 to December 31
Ordinary General Meeting of Shareholders:	During March
Record date:	December 31
Record date for dividend distribution of surplus:	June 30 and December 31
Number of shares per unit of shares:	100 shares
Purchase and sale of shares less than one unit:	
Handling office:	(Special account) 5-33, Kitahama 4-chome, Chuo-ku, Osaka, Japan Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Business Planning Dept.
Transfer agent:	(Special account) 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan Sumitomo Mitsui Trust Bank, Limited
Forward office:	—
Purchasing and selling fee:	Amount equivalent to fees for entrusting sale or purchase of stock
Method of public notice:	Kubota Corporation carries out its public notifications through electronic public notice. However, if the Company cannot use the above-mentioned method of public notice due to an accident or other inevitable reasons, public notification shall be posted in the Nihon Keizai Shimbun (the Nikkei Newspaper). The URL of Kubota Corporation where electronic public notice is carried out is as follows: http://www.kubota.co.jp
Special benefit for shareholders:	Not applicable

(Note)

A holder of shares of Kubota Corporation representing less than one unit can only execute the following rights:

- 1) Rights under each item of Article 189, Paragraph 2 of the Companies Act,
- 2) Rights to claim under Article 166, Paragraph 1 of the Companies Act,
- 3) Rights to receive an allocation of share offerings and stock acquisition rights in proportion to the number of shares held,
and
- 4) Rights to claim for the sale of shares by combining a share representing less than one unit.

6. Reference Information on Kubota Corporation

1. Information on Parent Company of Kubota Corporation

Kubota Corporation has no parent company.

2. Other Reference Information

Kubota Corporation filed the following documents during the period from the commencing date of the year ended December 31, 2020 to the filing date of the Annual Securities Report.

(1) Annual Securities Report and the attachments thereto, and Confirmation Letter	Fiscal Year (the 130 th business term)	From January 1, 2019 To December 31, 2019	Filed with the Director of the Kanto Local Finance Bureau on March 19, 2020
(2) Internal Control Report and the attachments thereto	Fiscal Year (the 130 th business term)	From January 1, 2019 To December 31, 2019	Filed with the Director of the Kanto Local Finance Bureau on March 19, 2020
(3) Quarterly Reports and Confirmation Letters	(First Quarter of the 131 st business term)	From January 1, 2020 To March 31, 2020	Filed with the Director of the Kanto Local Finance Bureau on May 14, 2020
	(Second Quarter of the 131 st business term)	From April 1, 2020 To June 30, 2020	Filed with the Director of the Kanto Local Finance Bureau on August 7, 2020
	(Third Quarter of the 131 st business term)	From July 1, 2020 To September 30, 2020	Filed with the Director of the Kanto Local Finance Bureau on November 11, 2020
(4) Extra Ordinary Report	Pursuant to Article 19, Paragraph 2, Item 9-2 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs (Results of Execution of Voting Rights at the General Meeting of Shareholders)		Filed with the Director of the Kanto Local Finance Bureau on March 23, 2020
	Pursuant to Article 19, Paragraph 2, Item 12 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs (Matters that affects significantly to Consolidated financial position, results of operation, and cash flows)		Filed with the Director of the Kanto Local Finance Bureau on May 20, 2020
(5) Securities Registration Statements (issuance of new shares under the restricted stock compensation plan) and attachments thereto			Filed with the Director of the Kanto Local Finance Bureau on March 19, 2020
(6) Revised Securities Registration Statements			Filed with the Director of the Kanto Local Finance Bureau on March 23, 2020
(7) Status Report of Acquisition of Treasury Stock			Filed with the Director of the Kanto Local Finance Bureau:
			on May 12, 2020
			on June 3, 2020
			on July 3, 2020
			on August 6, 2020
			on September 3, 2020
			on October 5, 2020
		on November 5, 2020	
		on December 14, 2020	
		on January 14, 2021	

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS OF KUBOTA CORPORATION AND ITS SUBSIDIARIES

Consolidated Statement of Financial Position (at December 31, 2020 and 2019).....	F-1
Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income (for the years ended December 31, 2020 and 2019).....	F-3
Consolidated Statement of Changes in Equity (for the years ended December 31, 2020 and 2019).....	F-4
Consolidated Statement of Cash Flows (for the years ended December 31, 2020 and 2019).....	F-5
Notes to Consolidated Financial Statements.....	F-6
Independent Auditor's Report (filed under the Financial Instruments and Exchange Act of Japan) (Translation).....	A-1
Confirmation Letter (Translation).....	A-4
Management's Report on Internal Control over Financial Reporting (Translation).....	A-6

Consolidated Financial Statements

Kubota Corporation and Its Subsidiaries

(1) Consolidated Statement of Financial Position

(Unit: millions of yen)

December 31:	Note	2020	2019
ASSETS			
Current assets:			
Cash and cash equivalents	5	¥ 222,919	¥ 199,665
Trade receivables	6	592,027	682,596
Finance receivables	7, 13	317,626	293,933
Other financial assets	8	49,967	71,968
Inventories	9	373,998	382,401
Income taxes receivable		9,700	6,287
Other current assets		72,305	82,034
Total current assets		1,638,542	1,718,884
Noncurrent assets:			
Investments accounted for using the equity method	10	36,124	33,729
Finance receivables	7, 13	807,342	699,238
Other financial assets	8	138,583	148,936
Property, plant, and equipment	11, 13	424,672	405,349
Goodwill and intangible assets	12	72,539	60,986
Deferred tax assets	24	43,641	46,984
Other noncurrent assets	18	27,874	25,212
Total noncurrent assets		1,550,775	1,420,434
Total assets		¥ 3,189,317	¥ 3,139,318

(Unit: millions of yen)

December 31:	Note	2020	2019
LIABILITIES AND EQUITY			
Current liabilities:			
Bonds and borrowings	14	¥ 366,038	¥ 386,538
Trade payables	15	323,607	293,774
Other financial liabilities	13, 16	87,445	78,860
Income taxes payable		14,676	18,611
Provisions	17	39,736	31,001
Other current liabilities	19	194,924	192,959
Total current liabilities		1,026,426	1,001,743
Noncurrent liabilities:			
Bonds and borrowings	14	508,398	516,443
Other financial liabilities	13, 16	31,537	30,247
Retirement benefit liabilities	18	16,144	15,773
Deferred tax liabilities	24	28,088	32,984
Other noncurrent liabilities	17, 19	4,539	4,914
Total noncurrent liabilities		588,706	600,361
Total liabilities		1,615,132	1,602,104
Equity:			
Equity attributable to owners of the parent:	20		
Share capital		84,130	84,130
Share premium		84,943	84,671
Retained earnings		1,325,764	1,238,824
Other components of equity		(18,162)	35,849
Treasury shares		(636)	(637)
Total equity attributable to owners of the parent		1,476,039	1,442,837
Noncontrolling interests		98,146	94,377
Total equity		1,574,185	1,537,214
Total liabilities and equity		¥ 3,189,317	¥ 3,139,318

See notes to consolidated financial statements.

(2) Consolidated Statement of Profit or Loss and
Consolidated Statement of Comprehensive Income

Consolidated Statement of Profit or Loss

(Unit: millions of yen, except earnings per share)

Years ended December 31:	Note	2020	%	2019	%
Revenue	21	¥ 1,853,234	100.0	¥ 1,920,042	100.0
Cost of sales	9, 11, 12, 18	(1,318,384)		(1,360,115)	
Selling, general, and administrative expenses	11, 12, 18	(356,092)		(351,986)	
Other income	22	6,950		3,648	
Other expenses	22	(10,424)		(9,935)	
Operating profit		175,284	9.5	201,654	10.5
Finance income	23	12,294		8,866	
Finance costs	23	(1,679)		(1,498)	
Profit before income taxes		185,899	10.0	209,022	10.9
Income tax expenses	24	(47,027)		(53,002)	
Share of profits of investments accounted for using the equity method	10	2,528		3,071	
Profit for the year		¥ 141,400	7.6	¥ 159,091	8.3
Profit attributable to:					
Owners of the parent		¥ 128,524	6.9	¥ 149,061	7.8
Noncontrolling interests		¥ 12,876	0.7	¥ 10,030	0.5
Earnings per share attributable to owners of the parent:					
Basic	25	¥ 105.85		¥ 121.59	
Diluted		¥ —		¥ —	

Consolidated Statement of Comprehensive Income

(Unit: millions of yen)

Years ended December 31:	Note	2020	2019
Profit for the year		¥ 141,400	¥ 159,091
Other comprehensive income, net of income tax:	20		
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit pension plans		3,078	5,859
Net change in fair value of financial assets measured at fair value through other comprehensive income		(180)	11,819
Items that may be reclassified subsequently to profit or loss:			
Exchange rate differences on translating foreign operations		(38,949)	4,431
Total other comprehensive income, net of income tax		(36,051)	22,109
Comprehensive income for the year		¥ 105,349	¥ 181,200
Comprehensive income attributable to:			
Owners of the parent		¥ 96,656	¥ 167,048
Noncontrolling interests		¥ 8,693	¥ 14,152

See notes to consolidated financial statements.

(3) Consolidated Statement of Changes in Equity

(Unit: millions of yen)

	Note	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 January 1, 2019		¥ 84,130	¥ 85,305	¥ 1,135,395	¥ 35,343	¥ (323)	¥ 1,339,850	¥ 86,583	¥ 1,426,433
Profit for the year				149,061			149,061	10,030	159,091
Total other comprehensive income, net of income tax	20				17,987		17,987	4,122	22,109
Comprehensive income for the year				149,061	17,987		167,048	14,152	181,200
Transfer to retained earnings				17,018	(17,018)		—		—
Dividends paid	20			(43,065)			(43,065)	(3,984)	(47,049)
Purchases and sales of treasury shares						(20,002)	(20,002)		(20,002)
Retirement of treasury shares				(19,566)		19,566	—		—
Share-based payments with transfer restrictions			(9)	(19)		122	94		94
Changes in ownership interests in subsidiaries			(625)		(463)		(1,088)	(2,374)	(3,462)
Balance as of December 31, 2019		¥ 84,130	¥ 84,671	¥ 1,238,824	¥ 35,849	¥ (637)	¥ 1,442,837	¥ 94,377	¥ 1,537,214
Profit for the year				128,524			128,524	12,876	141,400
Total other comprehensive income, net of income tax	20				(31,868)		(31,868)	(4,183)	(36,051)
Comprehensive income for the year				128,524	(31,868)		96,656	8,693	105,349
Transfer to retained earnings				22,158	(22,158)		—		—
Dividends paid	20			(43,853)			(43,853)	(4,503)	(48,356)
Purchases and sales of treasury shares						(20,002)	(20,002)		(20,002)
Retirement of treasury shares				(19,854)		19,854	—		—
Share-based payments with transfer restrictions			(4)	(35)		149	110		110
Changes in ownership interests in subsidiaries			276		15		291	(421)	(130)
Balance as of December 31, 2020		¥ 84,130	¥ 84,943	¥ 1,325,764	¥ (18,162)	¥ (636)	¥ 1,476,039	¥ 98,146	¥ 1,574,185

See notes to consolidated financial statements.

(4) Consolidated Statement of Cash Flows

(Unit: millions of yen)

Years ended December 31:	Note	2020	2019
Cash flows from operating activities:			
Profit for the year		¥ 141,400	¥ 159,091
Depreciation and amortization		67,336	62,244
Finance income and costs		(10,218)	(6,753)
Income tax expenses		47,027	53,002
Share of profits of investments accounted for using the equity method		(2,528)	(3,071)
Decrease (increase) in trade receivables		71,497	(21,099)
Increase in finance receivables		(185,256)	(96,954)
Decrease (increase) in inventories		1,042	(14,721)
Decrease (increase) in other assets		12,482	(25,491)
Increase (decrease) in trade payables		37,881	(12,501)
Increase in other liabilities		14,203	23,955
Net changes in retirement benefit assets and liabilities		1,838	2,261
Other, net		(1,772)	1,988
Interest received		4,013	4,622
Dividends received		2,414	3,491
Interest paid		(1,035)	(874)
Income taxes paid, net		(57,405)	(46,780)
Net cash provided by operating activities		142,919	82,410
Cash flows from investing activities:			
Payments for acquisition of property, plant, and equipment		(60,913)	(76,243)
Payments for acquisition of intangible assets		(23,840)	(18,616)
Proceeds from sales of property, plant, and equipment		8,051	1,837
Payments for acquisition of securities		(18,153)	(1,212)
Proceeds from sales and redemptions of securities		34,537	19,689
Payments for loans receivable to associates		(35,500)	(28,850)
Collection of loans receivable from associates		35,601	28,500
Payments for time deposits		(56,737)	(32,411)
Proceeds from withdrawal of time deposits		64,529	8,477
Payments for acquisition of short-term investments		(2,733)	(16,599)
Proceeds from sales and redemptions of short-term investments		10,378	24,907
Other, net		(2,353)	(949)
Net cash used in investing activities		(47,133)	(91,470)
Cash flows from financing activities:			
Funding from bonds and long-term borrowings	26	272,068	273,699
Redemptions of bonds and repayments of long-term borrowings	26	(233,935)	(221,267)
Net (decrease) increase in short-term borrowings	26	(25,629)	10,368
Repayments of lease liabilities	26	(14,618)	(15,081)
Dividends paid	20	(43,853)	(43,065)
Purchases of treasury shares		(20,002)	(20,002)
Proceeds from acquisition of noncontrolling interests		(1,419)	(5,652)
Other, net		(966)	(515)
Net cash used in financing activities		(68,354)	(21,515)
Effect of exchange rate changes on cash and cash equivalents		(4,178)	1,117
Net decrease in cash and cash equivalents		23,254	(29,458)
Cash and cash equivalents, at the beginning of the year	5	199,665	229,123
Cash and cash equivalents, at the end of the year	5	¥ 222,919	¥ 199,665

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Kubota Corporation and Its Subsidiaries

1. REPORTING ENTITY

Kubota Corporation (the “Parent Company”) is an entity located in Japan. The Parent Company and its subsidiaries (the “Company”) manufacture and sell a comprehensive range of machinery and other industrial and consumer products, including farm equipment, agricultural-related products, engines, construction machinery, pipe-related products, social infrastructure-related products, and environment-related products.

The Company manufactures its products not only in Japan, but also in overseas countries, including the United States, France, Germany, China, Thailand, and other countries, and sells its products in Japan, North America, Europe, Asia, and other countries.

2. BASIS OF FINANCIAL STATEMENTS

Compliance with International Financial Reporting Standards (“IFRS”)

The consolidated financial statements of the Company are prepared in accordance with IFRS, as permitted by the provision of Article 93 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (the “Ordinance”) since the Company is fully qualified as a *Specified Company under Designated International Financial Reporting Standards* pursuant to the provision of Article 1-2 of the Ordinance.

Basis of Measurement

Except for the items stated in Note 3. SIGNIFICANT ACCOUNTING POLICIES, the Company’s consolidated financial statements are prepared on a historical cost basis.

Functional Currency and Presentation Currency

The consolidated financial statements of the Company are presented in Japanese yen, which is the Parent Company’s functional currency, and figures are rounded to the nearest million yen.

Significant Accounting Judgements, Estimates, and Assumptions

The consolidated financial statements of the Company are prepared by using judgements, estimates, and assumptions relating to the application of accounting policies and reporting of assets, liabilities, revenue, and expenses. Actual results could differ from those accounting estimates and assumptions.

The estimates and assumptions are continually reviewed. The effects of a change in accounting estimates, if any, are recognized in the reporting period in which the change is made and in the future periods.

The judgements made in applying accounting policies, which could have a material impact on the Company’s consolidated financial statements, are as follows:

- (a) Scope of consolidated subsidiaries, associates, and joint ventures (please refer to Note 3. SIGNIFICANT ACCOUNTING POLICIES, Basis of Consolidation)
- (b) Classification of financial instruments (please refer to Note 3. SIGNIFICANT ACCOUNTING POLICIES, Financial Instruments)
- (c) Timing of satisfaction of performance obligations (please refer to Note 3. SIGNIFICANT ACCOUNTING POLICIES, Revenue Recognition)

The information related to risks and uncertainties arising from assumptions and estimates that could result in material adjustments after the financial statement date is as follows:

- (a) Impairment of financial assets measured at amortized cost (please refer to Note 3. SIGNIFICANT ACCOUNTING POLICIES, Financial Instruments and Note 27. FINANCIAL INSTRUMENTS)
- (b) Fair value measurement on financial instruments (please refer to Note 3. SIGNIFICANT ACCOUNTING POLICIES, Financial Instruments and Note 27. FINANCIAL INSTRUMENTS)
- (c) Lease term and discount rates used for measurement of lease liabilities (please refer to Note 3. SIGNIFICANT ACCOUNTING POLICIES, Leases)
- (d) Impairment of nonfinancial assets (please refer to Note 3. SIGNIFICANT ACCOUNTING POLICIES, Impairment of

Nonfinancial Assets and Note 11. PROPERTY, PLANT, AND EQUIPMENT and Note 12. GOODWILL AND INTANGIBLE ASSETS)

- (e) Measurement of provisions (please refer to Note 3. SIGNIFICANT ACCOUNTING POLICIES, Provisions and Note 17. PROVISIONS)
- (f) Measurement of defined benefit liabilities (please refer to Note 3. SIGNIFICANT ACCOUNTING POLICIES, Postemployment Benefits and Note 18. EMPLOYEE BENEFITS)
- (g) Measurement of progress towards complete satisfaction of a performance obligation (please refer to Note 3. SIGNIFICANT ACCOUNTING POLICIES, Revenue Recognition and Note 21. REVENUE)
- (h) Estimation of variable consideration (please refer to Note 3. SIGNIFICANT ACCOUNTING POLICIES, Revenue Recognition and Note 21. REVENUE)
- (i) Realizability of deferred tax assets (please refer to Note 3. SIGNIFICANT ACCOUNTING POLICIES, Income Taxes and Note 24. INCOME TAXES)
- (j) Contingent liabilities (please refer to Note 30. COMMITMENTS AND CONTINGENT LIABILITIES)

Though the effect of the infection of COVID-19 is still unpredictable, the Company estimates the impact on business activities will recover compared to last year. So, there is no significant accounting judgements, estimates, and assumptions caused by COVID-19.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

(1) Subsidiaries and structured entities

Subsidiaries are entities that are controlled by the Company. The Company controls an entity when the Company has power over the entity, is exposed or has rights to variable returns from its involvement with the entity, and has the ability to affect those returns through its power over the entity. To determine whether or not the Company controls an entity, the Company considers all relevant factors indicating that it may have power over the entity, such as the status of voting rights or similar rights, contractual agreements, whether the directors and/or employees dispatched from the Company account for a majority of the board of directors of the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date when the Company obtains control over the subsidiary until the date when it loses control of the subsidiary. Necessary adjustments are made to the financial statements of subsidiaries if their accounting policies differ from those of the Company. Balances of receivables and payables, and unrealized profit or loss arising from intercompany transactions are eliminated in the preparation of the consolidated financial statements. Any change in ownership interests in a subsidiary that does not result in a loss of control of the subsidiary is accounted for as an equity transaction. When control over a subsidiary is lost, the investment retained after the loss of control is re-measured at fair value as of the date of the loss of control, and any gains or losses arising from such re-measurement are recognized in profit or loss.

Structured entities are entities designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. For fundraising purposes, the Company enters into securitization transactions by transferring a pool of certain finance receivables into newly formed structured entities. After the transfer, the Company has both the power to direct the activities that most significantly affect those structured entities' economic performance through its role in managing and controlling its past due or default receivables and the obligation to absorb losses or receive benefits that could potentially be significant to them through the Company's retention of the residual interest in them. Accordingly, the Company consolidates such structured entities.

(2) Associates and joint ventures

Associates are entities over which the Company has a significant influence over the decisions on financial and operating policy decisions, but does not have control or joint control of those policies. If the Company holds, directly or indirectly, 20% or more and less than 50% of the voting rights of the entity, it is presumed that the Company has significant influence over the entity unless it can be clearly demonstrated that this is not the case.

Joint ventures are joint arrangements whereby the parties, including the Company, that have joint control of the arrangements have rights to the net assets of the arrangements. Joint arrangements are arrangements in which two or more parties have joint control, and joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Investments in associates and joint ventures are accounted for using the equity method from the date when the investees are determined as associates or joint ventures until the date that they cease to be classified as associates or joint ventures. When an entity no longer meets the criteria for an associate or joint venture and the application of the equity method is discontinued, the investment retained after the discontinuation of the equity method is re-measured at fair value, and any gains or losses arising from such re-measurement are recognized in profit or loss, unless the entity meets the criteria for a subsidiary.

If there is any objective evidence of impairment on investments in associates or joint ventures, the Company conducts impairment tests on those investments as one asset group.

Foreign Currency Translation

(1) Foreign currency transactions

Foreign currency transactions are translated into the functional currency of each company using the exchange rate at the date of the transactions or a rate that approximates such rate.

At the end of each reporting period, monetary items denominated in foreign currencies are translated into the functional currency using the closing rate, and nonmonetary items denominated in foreign currencies measured at fair value are translated into the functional currency using the exchange rate at the date when the fair value is measured. Exchange rate differences arising from the translation or settlement are recognized in profit or loss.

(2) Translation of foreign operations

Assets and liabilities of foreign operations are translated at the closing rate, while their income and expenses are translated at the average rate during the period. Exchange differences arising from translation are recognized in other comprehensive income.

When control or significant influence of foreign operations is lost due to the disposal of those operations, cumulative translation differences arising from those operations are reclassified to profit or loss at the time of disposal as part of gain or loss on the disposal of foreign operations.

Financial Instruments

(1) Financial assets (excluding derivatives)

Initial recognition

The Company initially recognizes trade receivables and other receivables on the date such receivables arise and recognizes other financial assets as of the transaction date, on which the Company becomes a party to the agreement, at the fair value plus transaction costs that are directly attributable to the acquisition. However, trade receivables that do not include significant financial components are measured at the transaction price.

Classification and subsequent measurement

Financial assets are classified as financial assets measured at amortized cost, debt financial assets measured at fair value through other comprehensive income, or equity financial assets measured at fair value through other comprehensive income.

Financial assets measured at amortized cost

Financial assets are subsequently measured at amortized cost using the effective interest method if both of the following conditions are met. Specifically, the amount measured at initial recognition is reduced by repayment of principal by adjusting for the accumulated amortized amount, which is calculated by the effective interest method on the differences between initially recognized amount and maturity amount. This amount is also adjusted by an allowance for doubtful accounts for related financial assets.

- (a) The financial assets are held within a business model with the objective of collecting contractual cash flows, and
- (b) The contractual terms of the financial assets provide cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

Debt financial assets measured at fair value through other comprehensive income

Financial assets are classified as debt financial assets measured at fair value through other comprehensive income if both of the following conditions are met:

- (a) The financial assets are held within a business model with the objective of both collecting contractual cash flows and selling financial assets, and
- (b) The contractual terms of the financial assets provide cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

Equity financial assets measured at fair value through other comprehensive income

With regard to equity financial assets, the Company has elected to recognize changes in fair value in other comprehensive income.

The accumulated amounts of net changes in the fair value of the equity financial assets are transferred to retained earnings, not to profit or loss, when the equity financial assets are derecognized or the fair value of equity financial assets declines from the acquisition cost and its decline is deemed to be more than temporary.

Dividends on equity financial assets measured at fair value through other comprehensive income are recognized in profit or loss as finance income unless the dividend clearly represents a recovery of part of the cost of the investment.

Derecognition

Financial assets are derecognized when contractual rights to cash flows from the financial assets expire or when contractual rights to receive the cash flows are transferred, and substantially all risks and rewards of ownership of the financial assets are transferred.

Impairment of financial assets measured at amortized cost

The Company evaluates and recognizes an allowance for doubtful accounts for expected credit losses on financial assets measured at amortized cost at the end of each reporting period, reflecting the collection status of these financial assets, historical credit loss experience, economic trends, customers' ability to repay, collateral values, and other factors. If the credit risk on financial assets is deemed to be low at the end of the reporting period, the credit risk is deemed not to have significantly increased since the initial recognition, and an allowance for doubtful accounts is recognized for the 12-month expected credit losses. The Company considers that the credit risk on them has increased significantly since initial recognition, unless there is reasonable contradictory evidence, when contractual payments are more than 30 days past due and recognizes an allowance for doubtful accounts for the lifetime expected credit losses. With regard to trade receivables, contract assets, long-term trade accounts receivable, and lease receivables, an allowance for doubtful accounts is always recognized for the lifetime expected credit losses. The provision of an allowance for doubtful accounts or reversal of a previously recognized allowance is recognized in profit or loss, and included within selling, general, and administrative expenses. The Company directly writes off the gross carrying amount of receivables when the Company has no reasonable expectation of recovering the contractual cash flows from them. The Company defines a default on financial assets as a loss of the debtor's ability to repay.

(2) Financial liabilities (excluding derivatives)

Initial recognition

The Company initially recognizes financial liabilities at the transaction date, which is when the Company becomes party to an agreement, at fair value less directly attributable transaction costs.

Classification and subsequent measurement

Financial liabilities are classified as financial liabilities measured at amortized cost. They are subsequently measured at amortized cost using the effective interest method. Amortization calculated using the effective interest method and gains or losses arising from derecognition are recognized in profit or loss.

Derecognition

Financial liabilities are derecognized when they are extinguished due to satisfaction of contractual obligations related to the financial liabilities.

(3) Derivatives and hedge accounting

In order to hedge foreign currency risk and interest rate risk, the Company uses derivative financial instruments, such as foreign exchange forward contracts and interest rate swap contracts. Since these derivatives do not meet the

requirements for hedge accounting, hedge accounting is not applied. The Company initially recognizes these derivatives at fair value at the date the contracts are entered into and subsequently re-measures them at fair value. Changes to the fair value of these derivatives is recognized in profit or loss.

(4) Fair value measurements

Fair value measurements are classified into the following three levels by inputs used for measurements:

Level 1 – quoted prices in active markets for identical assets or liabilities

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly

Level 3 – unobservable inputs for the assets or liabilities. These are measured using the entity's own assumptions and inputs that are reasonably available or inputs many market participants use with reasonable confidence

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, demand deposits withdrawable at any time, and short-term investments with a maturity of three months or less from the acquisition date that are readily convertible to cash and are subject to insignificant risk of changes in value.

Inventories

Inventories are stated at the lower of cost or net realizable value. Costs include purchase costs, direct labor costs, other direct costs, related production overheads based on the normal capacity of the production facilities, and all expenses required to bring the inventories to the present location and condition, principally determined by the moving average method. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and those necessary to sell the inventories.

Property, Plant, and Equipment

Property, plant, and equipment are measured based on the cost model and are stated at cost less accumulated depreciation and accumulated impairment losses. Costs include the costs directly attributable to the acquisition of assets; costs of dismantling, removing, and restoration of assets; and borrowing costs that meet certain criteria for capitalization.

Property, plant, and equipment, except land and construction in progress, are principally depreciated using the straight-line method based on the estimated useful lives of the assets. The estimated useful lives range from ten to 50 years for buildings and structures, and from two to 14 years for machinery and other equipment. Estimated useful lives, the depreciation method, and residual value of the assets are reviewed at least at each fiscal year end. Any changes in the useful life, depreciation method, and residual value are accounted for prospectively as a change in estimates.

Intangible Assets

Intangible assets are measured based on the cost model and are stated at cost less accumulated amortization and accumulated impairment losses. Intangible assets with indefinite useful lives are stated at cost less accumulated impairment losses.

Expenditures on development activities are recognized as intangible assets only if they meet all of the following requirements:

- (a) technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (b) the Company's intention to complete the intangible asset and use or sell it;
- (c) the Company's ability to use or sell the intangible asset;
- (d) how the intangible asset will generate probable future economic benefits;
- (e) the availability of adequate technical, financial, and other resources to complete development and to use or sell the intangible asset; and
- (f) the Company's ability to measure reliably the expenditures attributable to the intangible asset during its development.

Expenditures on development activities that do not meet the above conditions are expensed as incurred.

Intangible assets with definite useful lives are amortized by the straight-line method over the estimated useful lives of the assets. The estimated useful lives are mainly five years for software for internal use and capitalized development costs. Estimated useful lives and the amortization method are reviewed at least at each fiscal year end. Any changes in the useful life and amortization method are accounted for prospectively as a change in estimates.

Leases

As lessee

The Company recognizes a right-of-use asset and a lease liability at the commencement date of lease contract.

As for short-term leases (with a lease term of 12 months or less) and leases of low-value assets, the Company does not recognize a right-of-use asset and a lease liability. Instead, the Company elects to recognize related expenses in profit or loss by using the straight-line method over the lease term.

To apply a cost model, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses and includes it property, plant, and equipment in the consolidated statement of financial position. The cost of the right-of-use asset comprises the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, any initial direct costs incurred by the lessee, and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset. The Company depreciates the majority of right-of-use assets using the straight line method from the commencement date to the shorter of the end of lease term or the end of estimated useful life of the underlying asset.

The Company measures the lease liability at the present value of the lease payments that are not paid by discounting with the lessee's incremental borrowing rate at the commencement date. At the commencement date, the lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments that depend on an index or a rate, the exercise price of a purchase option and payments of penalties for terminating the lease term. After the commencement date, the Company recognizes a constant periodic rate of interest on the lease liability in profit or loss and measures the lease liability by reducing the carrying amount to reflect the lease payments made. Lease liabilities are included in other financial liabilities (current) and other financial liabilities (noncurrent) in the consolidated statement of financial position.

The lease term is determined as the non-cancellable period of a lease together with both periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option.

After the commencement date, the Company re-measures the lease liability by discounting the revised lease payments using a revised discount rate. Re-measurement takes place when there has been either a change in the lease term or a change in the Company's assessment of an option to purchase the underlying asset.

As a practical expedient, the Company elects, by class of underlying asset, not to separate non-lease components from lease components, and instead accounts for each lease component and any associated non-lease components as a single lease component.

As lessor

The Company classifies a lease as a finance lease if it transfers substantially all the risks and rewards of ownership of an underlying asset. All other leases are classified as operating leases.

The Company recognizes assets held under a finance lease and present them as a receivable at an amount equal to the net investment in the lease. The Company recognizes finance income over the lease term in the consolidated statement of profit or loss, based on a pattern which reflects the contractual periodic rate of return on the lessor's net investment in the lease.

Impairment of Nonfinancial Assets

The carrying amounts of nonfinancial assets other than inventories and deferred tax assets are assessed to determine whether or not there is any indication of impairment at the end of each reporting period based on an individual asset or the cash-generating unit ("CGU") to which an asset belongs. If such an indication exists, a recoverable amount of the asset or CGU is estimated.

Goodwill, intangible assets with indefinite useful lives, and intangible assets that are not yet available for use are tested for impairment annually or whenever there is an indication that the asset may be impaired or circumstances change.

The recoverable amount of an individual asset or a CGU is the higher of the fair value less costs of disposal and value in use. Value in use is determined by discounting the estimated future cash flows expected to be derived from an individual asset or CGU to its present value, using a pretax discount rate that reflects the time value of money and risks specific to that individual asset or CGU.

A CGU is determined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the CGU to which the asset belongs is determined.

Since corporate assets do not generate separate cash inflows, if there are any indications that corporate assets may be impaired, they are tested for impairment based on the recoverable amount of the CGU to which the corporate assets belong.

If the recoverable amount of the asset or CGU is less than its carrying amount, the carrying amount is reduced to the recoverable amount, and the difference between the recoverable amount and the carrying amount is recognized as an impairment loss in profit or loss. An impairment loss for a CGU is allocated to the assets of the unit, pro-rated across the respective carrying amounts of each asset in the CGU.

Individual assets other than goodwill or CGUs for which impairment losses were recognized in prior periods are assessed to determine whether or not there is any indication that such impairment losses may no longer exist or may have decreased at the end of each reporting period. If such an indication exists, the recoverable amount of the asset or the CGU is estimated, and if the recoverable amount exceeds the carrying amount of the asset or CGU, the impairment loss is reversed. The amount of reversal is recognized in profit or loss to the extent of the carrying amount, net of amortization or depreciation, that would have been determined if no impairment loss had been recognized in prior periods.

Provisions

Provisions are recognized when the Company has present legal or constructive obligations as a result of past events, it is probable that outflows of resources embodying economic benefits will be required to settle the obligations, and reliable estimates can be made of the amount of obligations.

Provisions are measured based on the best estimate of expenditure required to settle the present obligation at the end of the reporting period. When the effect of the time value of money is material, a provision is measured at the present value of the expenditures required to settle the obligation.

Postemployment Benefits

The Company has defined benefit pension plans and defined contribution pension plans as postemployment benefits for employees.

(1) Defined benefit pension plans

The Parent Company and most subsidiaries mainly located in Japan have defined benefit corporate pension plans and/or lump-sum severance indemnity plans. The net defined benefit liability and asset in the consolidated statement of financial position is measured as the difference between the present value of the defined benefit obligation and the fair value of plan assets.

If the defined benefit pension plan has a surplus, the net defined benefit asset is limited to the present value of any future economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

The defined benefit obligation is determined using the projected unit credit method, and its present value is calculated by discounting future estimated cash outflows. The discount rate is determined based on market yields on high-quality corporate bonds as of the end of the reporting period, reflecting the estimated timing and amount of benefit payment.

Prior service costs resulting from plan amendments are recognized in profit or loss when the plan is amended.

Re-measurement of the net defined liability and asset is recognized in other comprehensive income when such re-measurement is made and transferred immediately to retained earnings.

(2) Defined contribution pension plans

The Parent Company and certain subsidiaries have defined contribution plans. Contributions to defined contribution plans for the period when employees render the related services are recognized as employee benefit expenses in profit or

loss.

Revenue Recognition

(1) Revenue from contracts with customers

The Company recognizes revenue, excluding income from retail finance and finance leases, from contracts with customers based on the following five steps:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Company engages in various fields of businesses and industries by providing products and services as described in Note 1. REPORTING ENTITY.

The Company has determined that control over the products is transferred to customers, and that the Company satisfies a performance obligation when the products are delivered to customers, considering indicators of the transfer of control, such as the transfer of significant risks and rewards of physical possession and ownership of products. Accordingly, revenue from sales of products is recognized at that point in time.

The Company has construction contracts with customers. The Company considers that its satisfaction of performance obligations under the contracts does not create an asset with an alternative use to the Company, the Company has an enforceable right to payment for performance completed to date, and it transfers the control over the assets to customers over time. Accordingly, revenue is recognized over the construction period based on its progress towards complete satisfaction of performance obligations measured at the end of the reporting period. Since the Company considers that it is possible to develop reasonable estimates of the total contract cost and to reasonably estimate the extent of progress towards complete satisfaction of performance obligations under the contracts, the Company uses the input method to measure the extent of progress towards completion based on the costs incurred relative to the total expected costs by contract.

Revenue is measured at the consideration promised in contracts with customers, less discounts, rebates depending on sales volume, and other items. Variable consideration, including discounts, rebates, and other payments, is estimated considering all the information (historical, current, and forecast) that is reasonably available to the Company, and revenue is recognized only to the extent that it is highly probable that a significant reversal of recognized revenue will not occur.

When two or more performance obligations are identified in the contract, the transaction price is primarily allocated to each of the performance obligations on a relative observable stand-alone selling price basis.

(2) Income from retail finance and finance leases

The Company provides retail finance and finance leases to end users who purchase the Company's products, such as farm equipment, etc., through dealers. The above income is included in revenue in the consolidated statement of profit or loss.

With regard to finance receivables arising from retail finance operations, interest income is recognized using the effective interest method over the contractual period and included revenue in the consolidated statement of profit or loss.

Income Taxes

Income taxes, which is comprised of current taxes and deferred taxes, are recognized in profit or loss, except to the extent that they relate to business combinations or items recognized in other comprehensive income or directly in equity.

Current taxes are measured at the expected amount of income taxes payable to or recoverable from the tax authorities, using the tax rates and tax laws and regulations that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxes are recognized based on temporary differences between the carrying amount of assets or liabilities in the consolidated statement of financial position and the tax bases of the assets or liabilities, and carryforwards of unused tax losses and tax credits.

Deferred tax assets are recognized only to the extent that it is probable that taxable profits will be available against

the deductible temporary differences, unused tax losses, and unused tax credits. Deferred tax liabilities are recognized essentially for all taxable temporary differences.

However, deferred tax liabilities for taxable temporary differences related to investments in subsidiaries, associates, and joint ventures are not recognized if the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future. Deferred tax assets for deductible temporary differences related to investments in subsidiaries, associates, and joint ventures are recognized to the extent that it is probable that taxable profits will be available against which the temporary differences can be utilized, and the differences will reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the assets are realized or the liabilities are settled, based on the tax rates and tax laws and regulations that have been enacted or substantively enacted by the end of the reporting period.

The Company reviews the carrying amount of deferred tax assets at the end of the reporting period and does not recognize the deferred tax assets to the extent that it is no longer probable that taxable profits will be sufficient to allow the benefit of part or all of those deferred tax assets to be realized.

Deferred tax assets and deferred tax liabilities are offset, only when the Company has a legally enforceable right to offset current tax assets against current liabilities, and the same taxation authority levies income taxes either on the same taxable entity or on different taxable entity which intends either to settle current tax liabilities and assets on a net basis or to realize the assets and settle the liabilities simultaneously.

The Company reflects the effect of uncertainty in determining the related taxable profit, etc. if the Company concludes it is not probable that the taxation authority will accept an uncertain tax treatment.

Earnings per Share

Basic earnings per share attributable to owners of the parent are calculated based on profit attributable to common shareholders of the parent by the weighted-average number of issued common shares during the period. Diluted earnings per share attributable to owners of the parent are calculated by adjusting the effects of all dilutive potential common share.

Accounting Standards and Interpretation Newly Issued or Amended but Not Yet Adopted

The following table presents major accounting standards and interpretations that were newly issued or amended prior to the date of approval of the consolidated financial statements but were not yet adopted by the Company as of December 31, 2020 as the standards and interpretations were not yet effective:

Standards and interpretations	Title	Effective date (from the fiscal year beginning on or after)	Scheduled adoption by the Company	Description of new or amended standards and interpretations
IFRS 17	Insurance Contracts	January 1, 2023	Year ending December 31, 2023	Establishment of consistent accounting treatment for insurance contracts

The Company is currently evaluating the impact of IFRS 17 on the consolidated financial statements and therefore is not able to estimate the impact.

4. SEGMENT INFORMATION

The Company engages in various fields of business and industries by providing products and services that are categorized into the following three segments: Farm & Industrial Machinery, Water & Environment, and Other. The Farm & Industrial Machinery segment manufactures and distributes farm equipment, agricultural-related products, engines, and construction machinery. The Water & Environment segment manufactures and distributes pipe- and infrastructure-related products (ductile iron pipes, plastic pipes, valves for public sector, industrial castings, ceramics, spiral welded steel pipes, air conditioning equipment, and other products), environment-related products (environmental control plants, pumps, valves for private sector and other products). The Other segment offers a variety of services.

Financial information of the segments is utilized on a regular basis by the chief operating decision-maker in determining how to allocate the Company's resources and evaluate performance. The segments also represent the Company's organizational structure, which is principally based on the nature of products and services. The accounting policies for the reportable segments are consistent with the accounting policies used in the Company's consolidated financial statements.

Beginning with the current consolidated fiscal year, in conformity with the change in the business reporting structure of the Company, the amounts related to "Air-conditioning equipment" are reported in the "Water & Environment" segment, whereas they were formerly reported in the "Farm & Industrial Machinery" segment. The information for the same period in the prior year has been retrospectively adjusted to conform to the current fiscal year's presentation. Information by reportable segment is summarized as follows:

(Unit: millions of yen)

	Farm & Industrial Machinery	Water & Environment	Other	Adjustments	Consolidated
Year ended December 31, 2020:					
Revenue:					
External customers	¥ 1,508,766	¥ 315,774	¥ 28,694	¥ —	¥ 1,853,234
Intersegment	252	1,383	27,935	(29,570)	—
Total	¥ 1,509,018	¥ 317,157	¥ 56,629	¥ (29,570)	¥ 1,853,234
Operating profit	¥ 179,629	¥ 25,920	¥ 3,840	¥ (34,105)	¥ 175,284
Depreciation and amortization	50,733	7,379	4,396	4,828	67,336
Addition to noncurrent assets	78,465	9,057	6,688	16,010	110,220
December 31, 2020:					
Assets	¥ 2,607,087	¥ 295,077	¥ 152,290	¥ 134,863	¥ 3,189,317
Investments accounted for using the equity method	11,778	39	24,307	—	36,124
Year ended December 31, 2019:					
Revenue:					
External customers	¥ 1,558,329	¥ 330,065	¥ 31,648	¥ —	¥ 1,920,042
Intersegment	429	1,271	28,994	(30,694)	—
Total	¥ 1,558,758	¥ 331,336	¥ 60,642	¥ (30,694)	¥ 1,920,042
Operating profit	¥ 203,066	¥ 28,143	¥ 3,619	¥ (33,174)	¥ 201,654
Depreciation and amortization	45,997	7,218	4,271	4,758	62,244
Addition to noncurrent assets	89,683	8,972	5,959	7,649	112,263
December 31, 2019:					
Assets	¥ 2,566,578	¥ 287,115	¥ 156,667	¥ 138,958	¥ 3,139,318
Investments accounted for using the equity method	10,945	38	22,746	—	33,729

(Notes)

1. *Adjustments* include items such as the elimination of intersegment transfers, corporate expenses, and corporate assets, which are not allocated to any particular reportable segment. The corporate expenses included in *Adjustments* amounted to ¥34,105 million and ¥33,174 million for the years ended December 31, 2020 and 2019, respectively. The corporate expenses included in *Adjustments* consist mainly of administration department expenses, basic research expenses, and foreign exchange gains or losses incurred by the Parent Company. The corporate assets included in *Adjustments* amounted to ¥228,491 million and ¥232,960 million at December 31, 2020 and 2019, respectively, which consists mainly of cash and cash equivalents, securities, and corporate properties held or used by the administration department of the Parent Company.
2. The aggregated amounts of operating profit are equal to those presented in the consolidated statement of profit or loss. Please refer to the consolidated statement of profit or loss for the reconciliation of operating profit to profit before income taxes.
3. Intersegment transfers are recorded at values that approximate market prices.
4. Noncurrent assets do not include financial instruments, deferred tax assets, nor net defined benefit assets.

Revenue from External Customers by Product Group

Information about revenue from external customers by product group is summarized as follows:

(Unit: millions of yen)

Years ended December 31:	2020	2019
Farm & Industrial Machinery:		
Farm equipment and engines	¥ 1,218,845	¥ 1,246,611
Construction machinery	289,921	311,718
Subtotal	1,508,766	1,558,329
Water & Environment:		
Pipe- and infrastructure-related products	193,090	198,320
Environment-related products	122,684	131,745
Subtotal	315,774	330,065
Other	28,694	31,648
Total	¥ 1,853,234	¥ 1,920,042

(Note)

The amounts related to *Pump* are reported in *Environment-related Products*, whereas they were formerly reported in *Pipe-related Products*. Accordingly, the information for the prior year has been retrospectively adjusted to conform to the current year's presentation.

Geographic Information

Information about revenue from external customers by location is summarized as follows:

(Unit: millions of yen)

Years ended December 31:	2020	2019
Japan	¥ 595,188	¥ 625,381
North America	647,158	679,092
Europe	217,720	239,586
Asia outside Japan	334,186	321,976
Other areas	58,982	54,007
Total	¥ 1,853,234	¥ 1,920,042

(Notes)

- Revenue from North America included that from the United States of ¥586,705 million and ¥613,235 million for the years ended December 31, 2020 and 2019, respectively.
- There was no single customer whose revenue exceeded 10% or more of total consolidated revenue of the Company.

Information about noncurrent assets based on physical location is summarized as follows:

(Unit: millions of yen)

December 31:	2020	2019
Japan	¥ 324,173	¥ 290,627
North America	78,029	80,547
Europe	50,704	46,964
Asia outside Japan	56,545	60,234
Other areas	3,900	4,260
Total	¥ 513,351	¥ 482,632

(Notes)

- Noncurrent assets do not include financial instruments, deferred tax assets, and net defined benefit assets.
- Noncurrent assets of North America included those in the United States of ¥71,322 million and ¥73,699 million at December 31, 2020 and 2019, respectively.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are composed of the following:

Cash and cash equivalents are categorized as financial assets measured at amortized cost.

(Unit: millions of yen)

December 31:		2020		2019
Cash and deposits	¥	182,638	¥	155,388
Short-term investments		40,281		44,277
Total	¥	222,919	¥	199,665

(Note)

The balance on the consolidated statement of financial position is equal to the balance on the consolidated statement of cash flows.

6. TRADE RECEIVABLES

Trade receivables are composed of the following:

Trade receivables are categorized as financial assets measured at amortized cost.

(Unit: millions of yen)

December 31:		2020		2019
Trade notes	¥	84,470	¥	84,966
Trade accounts receivable		510,365		600,190
Allowance for doubtful accounts		(2,808)		(2,560)
Total	¥	592,027	¥	682,596

7. FINANCE RECEIVABLES

Finance receivables are composed of the following:

Finance receivables are categorized as financial assets measured at amortized cost.

(Unit: millions of yen)

December 31:		2020		2019
Retail finance receivables	¥	836,306	¥	718,546
Finance lease receivables		312,791		299,338
Allowance for doubtful accounts		(24,129)		(24,713)
Total	¥	1,124,968	¥	993,171
Current assets		317,626		293,933
Noncurrent assets		807,342		699,238

8. OTHER FINANCIAL ASSETS

Other financial assets are composed of the following:

(Unit: millions of yen)

December 31:	2020	2019
Financial assets measured at amortized cost:		
Long-term trade accounts receivable	¥ 37,873	¥ 37,880
Time deposits	22,063	31,147
Restricted cash*	13,177	13,661
Others	16,599	21,108
Financial assets measured at fair value through other comprehensive income:		
Debt financial assets	–	8,180
Equity financial assets	97,906	108,850
Financial assets measured at fair value through profit or loss:		
Derivatives	932	78
Total	¥ 188,550	¥ 220,904
Current assets	49,967	71,968
Noncurrent assets	138,583	148,936

(Note)

* Deposits pledged as collateral that are restricted from withdrawal and advances received for public works that are restricted from usage.

The Company holds equity financial assets mainly for the purpose of maintaining and enhancing business relationships and has elected to classify them as equity financial assets measured at fair value through other comprehensive income. The fair value of equity financial assets by issue is as follows:

(Unit: millions of yen)

December 31:	2020	2019
Issue		
Escorts Ltd.	¥ 21,938	¥ –
Toho Gas Co., Ltd.	9,831	6,420
Shin-Etsu Chemical Co., Ltd.	8,381	5,603
Daikin Industries, Ltd.	8,036	5,417
Sumitomo Mitsui Trust Holdings, Inc.	7,189	10,348
Osaka Gas Co., Ltd.	6,602	6,536
Sumitomo Mitsui Financial Group, Inc.	5,566	9,199
Mitsubishi UFJ Financial Group, Inc.	2,767	6,330
Hulic Co., Ltd.	2,266	2,632
DAIWA HOUSE INDUSTRY CO., LTD.	1,866	2,065
Others	23,464	54,300

The Company sold and derecognized certain equity financial assets measured at fair value through other comprehensive income following reviews on those business relationships. The fair values, as well as the accumulated gains or losses before income taxes, which were reclassified from other components of equity to retained earnings, were, at the derecognition date, as follows:

(Unit: millions of yen)

Years ended December 31:	2020	2019
Fair value as of derecognition	¥ 34,537	¥ 20,000
Accumulated gains (losses)	27,534	16,115

9. INVENTORIES

Inventories are composed of the following:

(Unit: millions of yen)

December 31:		2020		2019
Finished products	¥	213,205	¥	215,965
Spare parts		61,476		63,098
Work in process		50,641		53,881
Raw materials and supplies		48,676		49,457
Total	¥	373,998	¥	382,401

Inventories recognized as an expense for the years ended December 31, 2020 and 2019, were ¥1,198,396 million and ¥1,234,095 million, respectively. The write-downs of inventories recognized as an expense for the years ended December 31, 2020 and 2019, were ¥2,197 million and ¥1,399 million, respectively.

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in and Loans Receivable from Associates and Transactions with Associates

The following table presents trade receivables (trade notes and trade accounts receivable), loans receivable, investments, and deposits received related to transactions with associates:

(Unit: millions of yen)

December 31:		2020		2019
Trade receivables	¥	17,564	¥	18,976
Loans receivable		1,650		1,750
Investments		11,790		10,957
Deposits received		2,637		2,393

Aggregate revenue from associates was ¥47,038 million and ¥53,865 million for the years ended December 31, 2020 and 2019, respectively.

There are no associates that are individually material to the Company.

The Company's share of profit of associates that are not individually material was ¥876 million and ¥749 million for the years ended December 31, 2020 and 2019, respectively.

Investments in and Loans Receivable from Joint Ventures and Transactions with Joint Ventures

The following table presents trade receivables (trade notes and trade accounts receivable), loans receivable, investments, and deposits received related to transactions with joint ventures:

(Unit: millions of yen)

December 31:		2020		2019
Trade receivables	¥	464	¥	588
Loans receivable		—		—
Investments		24,334		22,772
Deposits received		9,817		7,308

Aggregate revenue from joint ventures was ¥5,315 million and ¥5,827 million for the years ended December 31, 2020 and 2019, respectively.

There are no joint ventures that are individually material to the Company. The Company's share of profit related to joint ventures that are not individually material was ¥1,652 million and ¥2,332 million for the years ended December 31, 2020 and 2019, respectively.

11. PROPERTY, PLANT, AND EQUIPMENT

Reconciliation

The following table presents reconciliation of acquisition cost, accumulated depreciation and accumulated impairment losses, and balances of the carrying amount of the Company's property, plant, and equipment:

Acquisition Costs

(Unit: millions of yen)

	Land	Buildings and structures	Machinery and equipment	Construction in progress	Total
December 31, 2018	¥ 80,108	¥ 312,639	¥ 522,197	¥ 18,378	¥ 933,322
Adjustment recognized on adoption of IFRS 16	2,998	30,512	8,501	—	42,011
January 1, 2019	¥ 83,106	¥ 343,151	¥ 530,698	¥ 18,378	¥ 975,333
Acquisition	6,173	16,550	15,519	60,698	98,940
Sales or disposal	(1,601)	(7,167)	(19,648)	(258)	(28,674)
Exchange rate differences on foreign currencies	(429)	(44)	431	(61)	(103)
Transfers between accounts	14,588	13,329	27,440	(55,357)	—
Others	368	946	783	(3,536)	(1,439)
December 31, 2019	¥ 102,205	¥ 366,765	¥ 555,223	¥ 19,864	¥ 1,044,057
Acquisition	565	16,913	19,445	54,045	90,968
Sales or disposal	(580)	(6,049)	(29,653)	(44)	(36,326)
Exchange rate differences on foreign currencies	(644)	(3,017)	(5,445)	(67)	(9,173)
Transfers between accounts	2,147	7,335	29,515	(38,997)	—
Others	371	(172)	2,826	(1,611)	1,414
December 31, 2020	¥ 104,064	¥ 381,775	¥ 571,911	¥ 33,190	¥ 1,090,940

Accumulated Depreciation and Accumulated Impairment Losses

(Unit: millions of yen)

	Land	Buildings and structures	Machinery and equipment	Construction in progress	Total
January 1, 2019	¥ 795	¥ 188,429	¥ 414,064	¥ —	¥ 603,288
Depreciation	290	19,375	31,912	—	51,577
Impairment losses	—	—	72	—	72
Sales or disposal	—	(3,596)	(17,159)	—	(20,755)
Exchange rate differences on foreign currencies	9	6	1,074	—	1,089
Others	—	2,249	1,188	—	3,437
December 31, 2019	¥ 1,094	¥ 206,463	¥ 431,151	¥ —	¥ 638,708
Depreciation	304	20,254	34,948	—	55,506
Impairment losses	—	77	345	—	422
Sales or disposal	(19)	(3,259)	(24,434)	—	(27,712)
Exchange rate differences on foreign currencies	(2)	(786)	(3,684)	—	(4,472)
Others	60	224	3,532	—	3,816
December 31, 2020	¥ 1,437	¥ 222,973	¥ 441,858	¥ —	¥ 666,268

Balances of Carrying Amount

(Unit: millions of yen)

	Land	Buildings and Structures	Machinery and equipment	Construction in progress	Total
January 1, 2019	¥ 79,313	¥ 124,210	¥ 108,133	¥ 18,378	¥ 330,034
December 31, 2019	¥ 101,111	¥ 160,302	¥ 124,072	¥ 19,864	¥ 405,349
December 31, 2020	¥ 102,627	¥ 158,802	¥ 130,053	¥ 33,190	¥ 424,672

The depreciation expense for property, plant, and equipment is included in cost of sales as well as in selling, general, and administrative expenses in the consolidated statement of profit or loss. Impairment losses on property, plant, and equipment are included in other expenses in the consolidated statement of profit or loss.

12. GOODWILL AND INTANGIBLE ASSETS

The following table presents reconciliation of acquisition cost, accumulated amortization and accumulated impairment losses, and balances of carrying amount of the Company's intangible assets:

Acquisition Costs

(Unit: millions of yen)

	Software	Intangible assets through business combination	Capitalized development costs	Other	Total
January 1, 2019	¥ 37,496	¥ 32,979	¥ 14,210	¥ 11,000	¥ 95,685
Acquisition	4,460	—	—	2,679	7,139
Internal development	3,386	—	8,571	—	11,957
Sales and disposal	(2,083)	—	(17)	(16)	(2,116)
Exchange rate differences on foreign currencies	13	(606)	(167)	(196)	(956)
Others	2,316	—	1,184	(2,366)	1,134
December 31, 2019	¥ 45,588	¥ 32,373	¥ 23,781	¥ 11,101	¥ 112,843
Acquisition	14,329	—	—	344	14,673
Internal development	2,287	—	6,814	—	9,101
Sales and disposal	(4,128)	(270)	(355)	(278)	(5,031)
Exchange rate differences on foreign currencies	(307)	(444)	259	8	(484)
Others	1,007	—	(921)	(316)	(230)
December 31, 2020	¥ 58,776	¥ 31,659	¥ 29,578	¥ 10,859	¥ 130,872

Accumulated Amortization and Accumulated Impairment Losses

(Unit: millions of yen)

	Software	Intangible assets through business combination	Capitalized development costs	Other	Total
January 1, 2019	¥ 19,672	¥ 15,035	¥ 4,668	¥ 6,362	¥ 45,737
Amortization	5,483	2,318	2,336	391	10,528
Sales and disposal	(1,977)	—	(2)	(1)	(1,980)
Exchange rate differences on foreign currencies	(9)	(995)	(104)	(152)	(1,260)
Others	(871)	—	—	(297)	(1,168)
December 31, 2019	¥ 22,298	¥ 16,358	¥ 6,898	¥ 6,303	¥ 51,857
Amortization	5,892	1,671	3,755	512	11,830
Sales and disposal	(3,888)	(270)	(260)	(277)	(4,695)
Exchange rate differences on foreign currencies	(103)	168	150	59	274
Others	(1,075)	—	43	99	(933)
December 31, 2020	¥ 23,124	¥ 17,927	¥ 10,586	¥ 6,696	¥ 58,333

Balances of Carrying Amount

(Unit: millions of yen)

	Software	Intangible assets through business combination	Capitalized development costs	Other	Total
January 1, 2019	¥ 17,824	¥ 17,944	¥ 9,542	¥ 4,638	¥ 49,948
December 31, 2019	¥ 23,290	¥ 16,015	¥ 16,883	¥ 4,798	¥ 60,986
December 31, 2020	¥ 35,652	¥ 13,732	¥ 18,992	¥ 4,163	¥ 72,539

Intangible assets acquired through business combination include items such as customer relationships, trademarks, and technology know-how, etc.

The amortization expense for intangible assets is included in cost of sales, as well as in selling, general, and administrative expenses in the consolidated statement of profit or loss.

The following table presents the expenditures relating to research and development that was expensed during the years:

(Unit: millions of yen)				
Years ended December 31:	2020		2019	
Amounts incurred	¥	58,394	¥	59,350
Amounts transferred to capitalized development costs		(6,814)		(8,571)
Capitalized development costs amortized		3,755		2,336
Total	¥	55,335	¥	53,115

“Other” columns in the above tables includes goodwill and intangible assets with indefinite useful lives. The following table presents the carrying amount of goodwill allocated to the CGUs:

(Unit: millions of yen)				
	December 31, 2020		December 31, 2019	
Farm & Industrial Machinery	¥	3,298	¥	3,358

The quantum of intangible assets with indefinite useful lives is not material.

The recoverable amount of the CGU to which goodwill is allocated is measured using the value in use. The value in use is calculated by discounting the estimated future cash flows based on the business plan, considering the past results, for the next five years approved by management to the present value.

The estimated future cash flows for the periods over the next five years approved by management is calculated by using the market growth rate (from 2.3% to 3.0%), considering the long-term average growth rate in each country or market in which the CGU belongs. The discount rate is based on the pre-tax weighted average cost of capital on each of CGUs (from 5.7% to 7.4%).

Since the value in use significantly headroom above the carrying amount of the CGU, the Company has concluded that even if the two inputs to which value in use is most sensitive, which are growth rate and discount rate, moved within a reasonable range of values, it would not be probable that a material impairment would be recorded.

13. LEASES

As Lessee

The Company leases certain office space, manufacturing equipment, and employee housing under the lease contracts.

The following table presents a reconciliation of carrying amount of right-of-use assets as lessee:

The Company re-measures the lease liability when there is a change in the lease term and recognizes such amount as an adjustment to the right-of-use asset.

(Unit: millions of yen)					
	Land	Buildings and structures	Machinery and equipment and others	Total	
January 1, 2019	2,998	31,567	9,632		44,197
Increase	1,158	12,792	4,221		18,171
Depreciation	(290)	(10,965)	(3,351)		(14,606)
Decrease	—	(1,970)	(609)		(2,579)
December 31, 2019	¥ 3,866	¥ 31,424	¥ 9,893	¥	45,183
Increase	318	14,172	5,695		20,185
Depreciation	(365)	(11,152)	(3,991)		(15,508)
Decrease	(17)	(2,132)	(1,036)		(3,185)
December 31, 2020	¥ 3,802	¥ 32,312	¥ 10,561	¥	46,675

The following table presents the amounts recognized in profit or loss:

(Unit: millions of yen)

Year ended December 31:	2020		2019	
Interest expense related to lease liabilities	¥	197	¥	225
Expenses related to short-term leases		200		248
Expenses related to leases of low-value assets		1,586		2,348

Total cash outflows for leases was ¥16,601 million and ¥17,902 million for the year ended December 31, 2020 and 2019, respectively.

The Company depends on each of affiliates' own judgements when it comes to entering into lease contracts. In cases where the lessee is able to exercise an extension option without the lessor's consent, it is considered that the lessee has an extension option. In case where the lessee is able to terminate its lease contract in the middle of the contract, it is considered that the lessee has a termination option. Each of the affiliates exercises these options as necessary.

The following table presents maturity analyses for lease liabilities as of December 31, 2020 and 2019:

(Unit: millions of yen)

December 31:	2020		2019	
Within 1 year	¥	14,672	¥	14,775
Between 1 and 5 years		24,182		22,807
Later than 5 years		3,771		3,962
Undiscounted lease liabilities	¥	42,625	¥	41,544
Less:				
Interest equivalent		(497)		(733)
Present value of lease liabilities	¥	42,128	¥	40,811

As Lessor

The Company provides finance leases to end users related to the Company's products, such as farm equipment, etc. The Company regularly monitors risks related to underlying assets and mitigate them by accumulating sales results in the used market.

The following table presents finance income on the net investment in the lease.

(Unit: millions of yen)

Years ended December 31:	2020		2019	
Finance income on the net investment in the lease	¥	24,422	¥	23,633

The following table presents maturity analyses for lease receivables

(Unit: millions of yen)

Years ended December 31:	2020		2019	
Within 1 year	¥	116,746	¥	112,489
Between 1 and 2 years		88,163		85,776
Between 2 and 3 years		65,690		60,648
Between 3 and 4 years		49,495		46,501
Between 4 and 5 years		30,450		29,993
Later than 5 years		19,424		14,295
Undiscounted lease receivables	¥	369,968	¥	349,702
Less:				
Unearned finance income		(57,177)		(50,364)
Net investment in the lease	¥	312,791	¥	299,338

14. BONDS AND BORROWINGS

Bonds and Borrowings

Bonds and borrowings are composed of the following:

(Unit: millions of yen)

December 31:	2020		2019	
Short-term borrowings* ¹	¥	157,900	¥	207,289
Bonds and long-term borrowings* ²		716,536		695,692
Total	¥	874,436	¥	902,981
Current liabilities		366,038		386,538
Noncurrent liabilities		508,398		516,443

(Notes)

- *1. Short-term borrowings were composed of notes payable to banks. The weighted-average interest rate on short-term borrowings at December 31, 2020, was 1.28%.
- *2. Bonds and long-term borrowings included their current portions.

Bonds and long-term borrowings (including current portions) are composed of the following:

(Unit: millions of yen)

December 31:	Due in years ending December 31:	2020		2019	
Bonds:					
Yen notes (fixed rate 0.51%)	2020	¥	—	¥	19,996
Long-term borrowings maturing on various dates through 2025 (1.90%):					
Secured			189,075		216,023
Unsecured			527,461		459,673
Total		¥	716,536	¥	695,692
Current portion			208,138		179,249

(Note)

An interest rate in the parentheses of bonds is that of nominal interest rate and an interest rate in the parentheses of long-term borrowings is that of the weighted-average interest rate at December 31, 2020.

Bonds and borrowings are categorized as financial liabilities measured at amortized cost.

Assets Pledged as Collateral

The following table presents assets pledged as collateral:

(Unit: millions of yen)

December 31:	2020		2019	
Trade receivables	¥	187	¥	211
Finance receivables (current)* ¹		86,278		91,924
Other financial assets (current) * ²		12,981		13,283
Finance receivables (noncurrent)* ¹		128,827		161,674
Property, plant, and equipment		1,364		1,480
Total	¥	229,637	¥	268,572

(Notes)

- *1. Finance receivables (current) and finance receivables (noncurrent) are pledged in accordance with the terms of securitization transactions.
- *2. Other financial assets (current) represent restricted cash, which are pledged in accordance with the terms of borrowings.

Both short-term and long-term bank loans are made under general agreements, which provide that security and guarantees for future indebtedness will be given upon request from the bank and that the bank has the right to offset cash deposits against obligations that have become due or, in the event of default, against all obligations due to the bank. Long-term agreements with lenders other than banks also generally provide that the Company must give additional security upon request from the lender.

There are restrictive covenants related to the borrowings, including negative pledges, a rating trigger, and minimum net worth. The rating trigger states that the Company shall keep or be higher than the “BBB-” rating by Rating and Investment Information, Inc. and the minimum net worth covenant states that the Company shall maintain total equity of more than ¥922.3 billion on the consolidated financial statements and more than ¥373.5 billion on the separate financial statements of Kubota Corporation. The Company is in compliance with these restrictive covenants as of December 31, 2020.

15. TRADE PAYABLES

Trade payables are composed of the following:

Trade payable are categorized as financial liabilities measured at amortized cost.

(Unit: millions of yen)

December 31:		2020		2019
Trade notes payable	¥	196,520	¥	191,823
Trade accounts payable		127,087		101,951
Total	¥	323,607	¥	293,774

16. OTHER FINANCIAL LIABILITIES

Other financial liabilities are composed of the following:

(Unit: millions of yen)

December 31:		2020		2019
Financial liabilities measured at amortized cost:				
Lease liabilities	¥	42,128	¥	40,811
Notes and accounts payable for capital expenditures		35,184		27,288
Deposits received		22,627		19,204
Others		13,474		12,692
Financial liabilities measured at fair value through profit or loss:				
Derivatives		5,569		9,112
Total	¥	118,982	¥	109,107
Current liabilities		87,445		78,860
Noncurrent liabilities		31,537		30,247

17. PROVISIONS

The following table presents a reconciliation of provisions by items:

(Unit: millions of yen)

	Product warranty		Other provisions		Total
	¥		¥		¥
January 1, 2020		28,309		4,911	33,220
Additions		28,564		3,856	32,420
Utilized		(18,798)		(2,908)	(21,706)
Reversal		(1,570)		(46)	(1,616)
Others		(1,224)		(95)	(1,319)
December 31, 2020	¥	35,281	¥	5,718	40,999

The Company provides contractual product warranties under which it generally guarantees the performance of products sold according to a product specification which the Company and its customers have mutually agreed on. The Company makes provisions for product warranties based on an analysis of the historical data under the warranties and estimations individually made. An outflow of economic benefits is expected to be made in the following year in which the product is actually sold.

Other provision includes provisions for loss on orders received and provisions for assets retirement obligation.

The following table presents the breakdown of provision by current and noncurrent categories:

(Unit: millions of yen)

December 31:		2020		2019
Current liabilities	¥	39,736	¥	31,001
Noncurrent liabilities		1,263		2,219
Total	¥	40,999	¥	33,220

Provisions categorized as noncurrent liabilities are included in other noncurrent liabilities in the consolidated statement of financial position.

18. EMPLOYEE BENEFITS

Postemployment Benefits

The Parent Company and most subsidiaries mainly in Japan have defined benefit corporate pension plans and/or lump-sum severance indemnity plans covering substantially all of their employees as defined benefit pension plans. At the Parent Company and certain subsidiaries, employees who terminate their employment have the option to receive benefits in the form of a lump-sum payment or annuity payments from defined benefit pension plans. The benefits are mainly calculated based on accumulated *points* under the point-based benefits system. The *points* consist of *service period points*, which are attributed to the length of service, *job title points*, which are attributed to the job title of each employee, and *performance points*, which are attributed to the annual performance evaluation of each employee.

Defined benefit corporate pension plans are run by Kubota Pension Fund, which is a separate legal entity from the Parent Company, in compliance with laws and regulations. Such laws and regulations require the Board of Kubota Pension Fund and the pension investment organization to execute their duties in the best interest for the participants in defined benefit pension plans and to assume responsibility on the management of their plan assets in conformity with predetermined policies.

In addition, the Parent Company and certain domestic subsidiaries employ defined contribution pension plans for most of their employees.

(1) Defined benefit liabilities or assets recognized in the consolidated statement of financial position

The following table presents net defined benefit liabilities and assets, and a status of defined benefit obligation and plan assets:

(Unit: millions of yen)

December 31:	2020		2019	
Present value of defined benefit obligation	¥	234,192	¥	227,948
Fair value of plan assets		232,086		222,644
Effect of asset ceiling		2,304		1,554
Net defined pension liabilities	¥	4,410	¥	6,858
Amount recognized in the consolidated statement of financial position:				
Other noncurrent assets	¥	11,734	¥	8,915
Retirement benefit liabilities		16,144		15,773
Net amount recognized in the consolidated statement of financial position	¥	4,410	¥	6,858

(2) Present value of defined benefit obligations

The following table presents a reconciliation of the present value of defined benefit obligation:

(Unit: millions of yen)

Years ended December 31:	2020		2019	
Balance at the beginning of the year	¥	227,948	¥	217,615
Service costs		11,091		9,984
Interest costs		1,493		1,854
Remeasurement of defined benefit obligation:				
Actuarial gains and losses arising from changes in demographic assumptions		4,406		(79)
Actuarial gains and losses arising from changes in financial assumptions		(2,226)		6,550
Others		1,351		1,470
Benefits paid (lump-sum payment)		(3,687)		(3,693)
Benefits paid (annuity payment)		(5,860)		(5,870)
Changes in scope of consolidation		(57)		—
Exchange rate differences on foreign currencies		(267)		117
Balance at the end of the year	¥	234,192	¥	227,948

The weighted-average duration of defined benefit obligation at December 31, 2020 was 16 years, and 2019 was 15 years.

(3) Fair value of plan assets

The following table presents a reconciliation of the fair value of plan assets:

(Unit: millions of yen)

Years ended December 31:	2020	2019
Balance at the beginning of the year	¥ 222,644	¥ 206,067
Interest income	1,689	1,384
Return from remeasurement of plan assets	8,289	15,956
Employer contributions	6,742	6,278
Benefits paid (lump-sum payment)	(1,384)	(1,479)
Benefits paid (annuity payment)	(5,860)	(5,870)
Exchange rate differences on foreign currencies	(34)	7
Others	—	301
Balance at the end of the year	¥ 232,086	¥ 222,644

The Company plans to make contributions of ¥7,400 million to the defined benefit corporate pension plan for the year ending December 31, 2021.

(4) Effect of asset ceiling

When the defined benefit plan is in surplus, the amount of defined benefit assets recorded in the consolidated statement of financial position is limited to a ceiling defined by the present value of any future economic benefits available in the form of returns from the defined benefit pension plan and reductions in future contributions to the defined benefit plan.

The following table presents a reconciliation of the effect of the asset ceiling:

(Unit: millions of yen)

Years ended December 31:	2020	2019
Balance at the beginning of the year	¥ 1,554	¥ 982
Interest income	1	2
Remeasurement of defined benefit pension plan:		
Changes in effect of asset ceiling	749	570
Balance at the end of the year	¥ 2,304	¥ 1,554

(5) Actuarial assumptions

The following table presents significant actuarial assumptions used for calculating the present value of defined benefit obligation:

December 31:	2020	2019
Discount rate	0.8%	0.7%

The rate of compensation increase is not used in the calculations of defined benefit obligation under the point-based benefits system.

(6) Breakdown of plan assets by item

The plan assets are composed of the following:

(Units: millions of yen)

December 31, 2020	With quoted price in an active market	With no quoted price in an active market	Total
Equity securities:			
Financial institutions (Japanese equity securities)	¥ 5,820	¥ —	¥ 5,820
Other industries (Japanese equity securities)	13,503	—	13,503
Pooled funds (Japanese equity securities)	—	26,121	26,121
Pooled funds (Foreign equity securities)	—	35,134	35,134
Debt securities:			
Pooled funds (Japanese debt securities)	—	55,309	55,309
Pooled funds (Foreign debt securities)	—	46,558	46,558
Cash and short-term investments	2,404	1,485	3,889
General accounts of insurance companies	—	28,309	28,309
Other assets	—	17,443	17,443
Total	¥ 21,727	¥ 210,359	¥ 232,086

(Units: millions of yen)

December 31, 2019	With quoted price in an active market	With no quoted price in an active market	Total
Equity securities:			
Financial institutions (Japanese equity securities)	¥ 7,471	¥ —	¥ 7,471
Other industries (Japanese equity securities)	10,027	—	10,027
Pooled funds (Japanese equity securities)	—	24,932	24,932
Pooled funds (Foreign equity securities)	—	33,578	33,578
Debt securities:			
Pooled funds (Japanese debt securities)	—	57,130	57,130
Pooled funds (Foreign debt securities)	—	45,314	45,314
Cash and short-term investments	3,053	464	3,517
General accounts of insurance companies	—	27,943	27,943
Other assets	—	12,732	12,732
Total	¥ 20,551	¥ 202,093	¥ 222,644

The Company's policy and objective for plan asset management is to maximize returns on plan assets to meet future benefit payment requirements under risks which the Company considers permissible. To mitigate any potential concentration risk, careful consideration is given to balancing the portfolio among industry sectors, companies, and geographies, taking into account interest rate sensitivity, dependence on economic growth, currency, and other factors that affect investment returns. The Company's target allocation is 35% of equity securities and foreign debt securities subject to foreign currency exchange rate risks and 65% of other investment vehicles, mainly consisting of Japanese debt securities, foreign debt securities not subject to foreign currency exchange rate risks, cash, short-term investments, and the general accounts of insurance companies.

A large portion of the plan assets is managed by trust banks and investment advisors. Those fund managers are bound by the Company's plan asset management guidelines, which are established to achieve the optimized asset compositions in terms of long-term overall plan asset management, and the fund managers' performance are measured against specific benchmarks.

To measure the performance of the plan asset management, the Company establishes benchmark return rates for each individual investment, combines these individual benchmark rates based on the asset composition ratios within each asset category, and compares the combined rates with the corresponding actual return rates on each asset category.

(7) Sensitivity analysis of significant actuarial assumptions

The following table presents a sensitivity analysis of significant actuarial assumptions on defined benefit liabilities:

(Unit: millions of yen)

December 31:	2020	2019
Discount rate (0.5% increase)	¥ 12,935 (decrease)	¥ 12,299 (decrease)
Discount rate (0.5% decrease)	14,619 (increase)	13,827 (increase)

The above sensitivity analysis assumes that assumptions other than discount rate remain unchanged, and therefore the actual results may differ from the above, since other assumptions in fact would change in relation to each other.

The above sensitivity analysis was made by the same method used for calculating defined benefit obligation recognized in the consolidated statement of financial position.

(8) Defined contribution pension plans

Costs recognized for defined contribution pension plans for the years ended December 31, 2020 and 2019, were ¥4,504 million and ¥4,390 million, respectively. The above amounts include costs recognized for public pension plans.

Employee Benefit Expenses

Employee benefit expenses included in the consolidated statement of profit or loss were ¥320,862 million and ¥315,500 million for the years ended December 31, 2020 and 2019, respectively.

Employee benefit expenses include expenses, such as those related to salaries, bonus, welfare, and postemployment benefits for employees. Compensation for the Directors is also included in employee benefit expenses (see Note 29. RELATED-PARTY TRANSACTIONS).

Employee benefit expenses are included in cost of sales and selling, general, and administrative expenses in the consolidated statement of profit or loss.

19. OTHER LIABILITIES

The following table presents the Company's other liabilities:

(Unit: millions of yen)

December 31:	2020	2019
Employment benefit obligation	¥ 46,791	¥ 43,881
Accrued expenses	40,028	36,862
Refund liabilities	31,999	47,072
Contract liabilities	17,810	14,924
Others	62,835	55,134
Total	¥ 199,463	¥ 197,873
Current liabilities	194,924	192,959
Noncurrent liabilities	4,539	4,914

20. EQUITY

Number of Shares Authorized to Be Issued and Number of Issued Shares

The total number of shares authorized to be issued was 1,874,700,000 shares as of December 31, 2020 and 2019. All shares issued by the Company are common stock without par value. Issued shares have been fully paid.

The following table presents a reconciliation of the number of issued shares:

	(Unit: thousands of shares)	
Years ended December 31:	2020	2019
Number of issued shares:		
Balance at the beginning of the year	1,220,577	1,232,557
Increase during the year	—	—
Decrease during the year *1	(12,000)	(11,980)
Balance at the end of the year	1,208,577	1,220,577

(Notes)

*1 The decreases in the years ended December 31, 2020 and 2019, were due to retirement of treasury shares.

The number of treasury shares included in the above number of issued shares, including those held by associates, is 644,000 shares, and 649,000 shares at December 31, 2020 and 2019, respectively.

Share Premium and Retained Earnings

(1) Share premium

Share premium is composed of a surplus which is derived from equity transactions but is not recorded as share capital, and it is mainly composed of capital reserves. The Companies Act of Japan (the "Act") provides that no less than 50% of the paid-in amount or proceeds of issuance of shares should be incorporated in share capital and that the remaining should be appropriated as capital reserve within share premium. Capital reserve may be appropriated as share capital with the approval of the General Meeting of Shareholders.

(2) Retained earnings

Retained earnings are composed of a legal reserve and other accumulated earnings. The Act provides that an amount equal to 10% of cash dividends from retained earnings should be appropriated as a capital reserve or a legal reserve until the aggregated amount of capital reserve and legal reserve equals 25% of share capital. The legal reserve may be used to compensate for deficits or may be reversed with the approval of the General Meeting of Shareholders.

Dividends

(1) Dividends paid

Year ended December 31, 2020

Resolution	Class of shares	Dividends (millions of yen)	Dividends per common share	Record date	Effective date
Meeting of the Board of Directors on February 14, 2020	Common shares	¥ 23,185	¥ 19.00	December 31, 2019	March 23, 2020
Meeting of the Board of Directors on August 4, 2020	Common shares	¥ 20,668	¥ 17.00	June 30, 2020	September 1, 2020

Year ended December 31, 2019

Resolution	Class of shares	Dividends (millions of yen)	Dividends per common share	Record date	Effective date
Meeting of the Board of Directors on February 14, 2019	Common shares	¥ 22,184	¥ 18.00	December 31, 2018	March 25, 2019
Meeting of the Board of Directors on August 7, 2019	Common shares	¥ 20,880	¥ 17.00	June 30, 2019	September 2, 2019

(2) Dividends with the record date falling in the year ended December 31, 2020, but the effective date falling in the following year

Resolution	Class of shares	Dividends (millions of yen)	Dividends per common share	Record date	Effective date
Meeting of the Board of Directors on February 15, 2021	Common shares	¥ 22,957	¥ 19.00	December 31, 2020	March 22, 2021

Other Components of Equity

The following table presents a reconciliation of other components of equity by item:

(Unit: millions of yen)

	Remeasurement of defined benefit pension plans	Net change in fair value of financial assets measured at fair value through other comprehensive income	Exchange rate differences on translating foreign operations	Total
January 1, 2019	¥ —	¥ 54,565	¥ (19,222)	¥ 35,343
Total other comprehensive income, net of income tax	5,849	11,624	514	17,987
Transfer to retained earnings	(5,835)	(11,183)	—	(17,018)
Changes in ownership interests in subsidiaries	(14)	1	(450)	(463)
December 31, 2019	¥ —	¥ 55,007	¥ (19,158)	¥ 35,849
Total other comprehensive income, net of income tax	3,075	(57)	(34,886)	(31,868)
Transfer to retained earnings	(3,090)	(19,068)	—	(22,158)
Changes in ownership interests in subsidiaries	15	—	—	15
December 31, 2020	¥ —	¥ 35,882	¥ (54,044)	¥ (18,162)

The following table presents the breakdown of total other comprehensive income, net of income tax, by item and related tax effects (including noncontrolling interests).

(Unit: millions of yen)

Years ended December 31:	2020			2019		
	Before tax	Tax effect	Net of tax	Before tax	Tax effect	Net of tax
Remeasurement of defined benefit pension plans:						
Increase (decrease) during the year	¥ 4,495	¥ (1,417)	¥ 3,078	¥ 8,509	¥ (2,650)	¥ 5,859
	4,495	(1,417)	3,078	8,509	(2,650)	5,859
Net change in fair value of financial assets measured at fair value through other comprehensive income:						
Increase (decrease) during the year	(241)	61	(180)	17,067	(5,248)	11,819
	(241)	61	(180)	17,067	(5,248)	11,819
Exchange rate differences on translating foreign operations:						
Increase (decrease) during the year	(40,038)	1,089	(38,949)	4,942	(511)	4,431
	(40,038)	1,089	(38,949)	4,942	(511)	4,431
Total	¥ (35,784)	¥ (267)	¥ (36,501)	¥ 30,518	¥ (8,409)	¥ 22,109

The following table presents the breakdown of total other comprehensive income, net of income tax, which is included in noncontrolling interests:

(Unit: millions of yen)

Years ended December 31:	2020	2019
Remeasurement of defined benefit pension plans	¥ 3	¥ 10
Net change in fair value of financial assets measured at fair value through other comprehensive income	(123)	195
Exchange rate differences on translating foreign operations	(4,063)	3,917
Total	¥ (4,183)	¥ 4,122

21. REVENUE

Disaggregation of Revenue

The following table presents the Company's revenue recognized from contracts with customers and other sources of revenue by product group and location:

Beginning with the current consolidated fiscal year, in conformity with the change in the business reporting structure of the Company, the reportable segment is changed. The information for the same period in the prior year has been retrospectively adjusted to conform to the current fiscal year's presentation.

(Unit: millions of yen)

Year ended December 31, 2020	Japan	North America	Europe	Asia outside Japan	Other areas	Total
Farm equipment and engines	¥ 252,957	¥ 431,618	¥ 144,084	¥ 271,300	¥ 39,948	¥ 1,139,907
Construction machinery	36,809	151,028	71,382	20,352	10,350	289,921
Farm & Industrial Machinery	289,766	582,646	215,466	291,652	50,298	1,429,828
Pipe- and Infrastructure-related products	163,885	9,707	1,647	11,943	5,905	193,090
Environment-related products	110,071	2,174	605	8,396	1,438	122,684
Water & Environment	273,956	11,881	2,252	20,339	7,346	315,774
Other	28,343	10	2	11	5	28,371
Revenue recognized from:						
Contracts with customers	592,065	594,537	217,720	312,002	57,649	1,773,973
Other sources of revenue	3,123	52,621	—	22,184	1,333	79,261
Total	¥ 595,188	¥ 647,158	¥ 217,720	¥ 334,186	¥ 58,982	¥ 1,853,234

(Unit: millions of yen)

Year ended December 31, 2019	Japan	North America	Europe	Asia outside Japan	Other areas	Total
Farm equipment and engines	¥ 265,601	¥ 451,647	¥ 159,636	¥ 258,702	¥ 35,466	¥ 1,171,052
Construction machinery	37,746	165,941	77,065	22,213	8,753	311,718
Farm & Industrial Machinery	303,347	617,588	236,701	280,915	44,219	1,482,770
Pipe- and Infrastructure-related products	170,670	8,454	2,437	10,749	6,010	198,320
Environment-related products	117,144	2,639	442	9,275	2,245	131,745
Water & Environment	287,814	11,093	2,879	20,024	8,255	330,065
Other	31,243	16	6	22	6	31,293
Revenue recognized from:						
Contracts with customers	622,404	628,697	239,586	300,961	52,480	1,844,128
Other sources of revenue	2,977	50,395	—	21,015	1,527	75,914
Total	¥ 625,381	¥ 679,092	¥ 239,586	¥ 321,976	¥ 54,007	¥ 1,920,042

Revenue recognized from other sources of revenue includes revenue from retail finance calculated using effective interest rate method and revenue from finance leases. The amounts of the above revenue were ¥57,431 million and ¥56,889 million for the years ended December 31, 2020 and 2019, respectively.

The Company engages in various fields of business and industries by providing products and services which are categorized mainly into the Farm & Industrial Machinery business and the Water & Environment business.

Performance obligations for each business are as follows:

(1) Farm & Industrial Machinery

In the Farm & Industrial Machinery business, the Company manufactures products such as farm equipment, agricultural-related products, engines, and construction machinery in Japan and overseas countries and sells those products to the corporate dealers and individual and corporate end-users in those areas. The Company has determined that performance obligations are satisfied when the products are delivered to customers, and therefore, revenue from the sale of products is recognized at that time. The Company does not adjust the promised amount of consideration for the effects of a significant financing component as a practical expedient since the customers pay for those products within one year. Revenue is measured at the consideration promised in contracts with customers less discounts, rebates depending on sales volume, and other items. The Company recognizes the consideration received from a customer as a

liability when the Company expects to refund it in the future.

There are no significant obligations for returns to customers.

The Company provides product warranties to cover free replacement and/or repairs on malfunctions resulting from product defects for a certain period of time after the sale. The warranties generally guarantee to customers the performance of the products sold according to product specifications which the Company and its customers have mutually agreed on. The Company recognizes provisions for product warranties.

(2) Water & Environment

In the Water & Environment business, the Company manufactures and sells pipe-related products, environment-related products, and social infrastructure-related products and constructions. The main customers are national/local government of Japan and corporation in/outside of Japan. The Company has determined that performance obligations are satisfied when the products are delivered to customers, and therefore, revenue from the sale of products is recognized at that time. The Company combines construction contracts on public spending, such as environment-related facilities and water supply facilities, with national and local government in Japan and corporate customers both in Japan and overseas countries. Revenue is recognized over a construction period since a performance obligation is satisfied in accordance with the progress of construction. The Company uses the input method which is based on the costs incurred relative to the total expected costs of individual contracts, as the method to measure the extent of progress towards completion. The Company does not adjust the promised amount of consideration for the effects of a significant financing component as a practical expedient since the customers pay for those products within one year. Revenue is measured at the consideration promised in a contract with customers, less discounts, rebates depending on sales volume, and other items. The Company recognizes the consideration received from a customer as a liability when the Company expects to refund it in the future.

There are no significant obligations for return to customers.

The Company provides product warranties to cover free replacements and/or repairs on defects found for a certain period of time after the sale. The warranties generally guarantee to customers the performance of the products sold according to product specifications or services rendered according to an intention of service, which the Company and its customers have mutually agreed on. The Company recognizes provisions for product warranties.

Contract Balances

The following table presents the balances of receivables, contract assets, and contract liabilities from contracts with customers:

(Unit: millions of yen)

December 31:	2020		2019	
Receivables	¥	629,598	¥	720,123
Contract assets		32,091		44,949
Contract liabilities	¥	17,810	¥	14,924

Receivables arising from contracts with customers are composed of trade notes and long-term trade accounts receivable, which are included in other financial assets—noncurrent on the consolidated statement of financial position.

Contract assets are the Company's rights to consideration, excluding any amounts presented as a receivable, in exchange for services rendered under the construction contracts in the Water & Environment business, in which revenue is recognized over time by measuring the progress towards complete satisfaction. Contract assets are included in other current assets on the consolidated statement of financial position and reclassified into receivables at the time when the Company's right to consideration becomes an unconditional right to payment before its payment due date.

Contract liabilities include accounts such as advances from customers.

The following table presents the significant changes in the balances of contract assets and contract liabilities:

(Unit: millions of yen)

Years ended December 31:	2020		2019	
	Contract assets	Contract liabilities	Contract assets	Contract liabilities
Increase by revenue recognition	¥ 76,443	¥ —	¥ 85,312	¥ —
Decrease by transfer to receivables	(89,288)	—	(58,994)	—
Increase by receipt of cash	—	101,697	—	73,202
Decrease by recognition of revenue	—	(98,450)	—	(70,555)

The amounts of revenue recognized during the reporting period, which were included in the beginning balance of contract liabilities, were ¥10,006 million and ¥9,546 million for the years ended December 31, 2020 and 2019, respectively.

The amounts of revenue recognized from performance obligations which had been satisfied or partially satisfied in the past were not material for the years ended December 31, 2020 and 2019.

Transaction Price Allocated to Remaining Performance Obligation

The aggregate amount of the transaction price allocated to the performance obligations that were unsatisfied (or partially unsatisfied) were ¥121,216 million and ¥131,408 million for the years ended December 31, 2020 and 2019, respectively. These performance obligations are related to construction contracts in the Water & Environment business and are deemed to be recognized as revenue within approximately five years, in accordance with the progress of construction.

As a practical expedient, the above amount does not include a transaction price allocated to the performance obligation of a contract where that performance obligation has an original expected duration of one year or less.

There was no significant consideration from contracts with customers which was not included in the transaction price.

22. OTHER INCOME AND OTHER EXPENSES

The other income and other expense are composed of the following:

		(Unit: millions of yen)	
Years ended December 31:		2020	2019
Other income:			
Royalty income	¥	1,041	¥ 956
Profit from disposal of property, plant, and equipment and intangible assets		2,704	395
Insurance proceeds		1,411	1,317
Other		1,794	980
Total	¥	6,950	¥ 3,648
Other expense:			
Foreign exchange losses	¥	(4,265)	¥ (3,343)
Loss from disposal of property, plant, and equipment and intangible assets		(2,376)	(2,153)
Loss resulting from disaster		(2,826)	(3,837)
Other		(957)	(602)
Total	¥	(10,424)	¥ (9,935)

23. FINANCE INCOME AND FINANCE COSTS

Finance income and finance costs are composed of the following:

		(Unit: millions of yen)	
Years ended December 31:		2020	2019
Finance income:			
Interest income:			
Financial assets measured at amortized cost	¥	4,037	¥ 4,799
Dividend income:			
Equity financial assets measured at fair value through other comprehensive income		2,414	3,491
Other		5,843	576
Total	¥	12,294	¥ 8,866
Finance costs:			
Interest expenses:			
Financial liabilities measured at amortized cost	¥	(1,039)	¥ (1,055)
Other		(640)	(443)
Total	¥	(1,679)	¥ (1,498)

Dividend income from which equity financial assets were derecognized during the reporting period was not material.

24. INCOME TAXES

Income Tax Expenses

Income tax expenses are composed of the following:

(Unit: millions of yen)

Years ended December 31:	2020	2019
Current tax expenses		
Tax expenses recognized for the current taxable income	¥ 41,305	¥ 49,181
Subtotal	41,305	49,181
Deferred tax expenses		
Temporary differences originated and reversed	5,285	3,644
Changes in realizability of deferred tax assets	437	177
Subtotal	5,722	3,821
Total	¥ 47,027	¥ 53,002

The Parent Company and domestic affiliates are subject to the Japanese corporate tax, an inhabitant tax, and business tax. The aggregated combined statutory income tax rates for the years ended December 31, 2020 and 2019, were both 30.6%. Subsidiaries located in foreign countries are subject to those local taxes.

A reconciliation of the differences between the Japanese statutory tax rates and the average effective tax rates is as follows:

Years ended December 31:	2020	2019
Japanese statutory tax rates applied to profit before income taxes	30.6%	30.6%
Increase (decrease) in taxes resulting from:		
Changes in realizability of deferred tax assets	0.0	0.2
Permanently nondeductible expenses	0.4	0.3
Tax effect on unremitted profit of foreign affiliates	1.4	0.9
Extra tax deduction on expenses for research and development	(2.7)	(2.7)
Difference in statutory tax rates of foreign subsidiaries	(4.7)	(3.7)
Other—net	0.3	(0.2)
Effective income tax rates applied to profit before income taxes	25.3%	25.4%

Deferred Tax Assets and Deferred Tax Liabilities

The significant components of deferred tax assets and liabilities are as follows:

(Unit: millions of yen)

December 31:	2020	2019
Deferred tax assets:		
Allowance for doubtful accounts	¥ 5,792	¥ 5,982
Intercompany profits	11,180	9,846
Financial assets measured at fair value through other comprehensive income	2,866	4,365
Write-downs of inventories; property, plant, and equipment; and intangible assets	2,657	1,827
Depreciation and amortization	4,939	5,159
Accrued bonuses	4,094	3,904
Retirement benefit liabilities	8,058	8,974
Refund Liabilities	5,141	7,066
Accrued expenses	2,983	4,578
Product warranty	8,925	6,607
Tax loss and credit carryforwards	1,756	1,284
Other temporary differences	18,977	20,052
Gross deferred tax assets	77,368	79,644
Deferred tax liabilities:		
Financial assets measured at fair value through other comprehensive income	17,878	24,212
Unremitted earnings of foreign affiliates	31,691	30,177
Other temporary differences	12,246	11,255

Gross deferred tax liabilities		61,815		65,644
Net deferred tax assets	¥	15,553	¥	14,000

The following table presents a reconciliation of deferred tax assets—net:

(Unit: millions of yen)

Years ended December 31:		2020		2019
Balance as of the beginning of the year	¥	14,000	¥	20,747
Amounts recognized through profit or loss:				
Elimination of intercompany profit included in assets		1,313		(3,427)
Depreciation and amortization		(1,370)		619
Refund liabilities		(1,925)		501
Accrued expenses		(1,595)		(535)
Unremitted earnings of foreign affiliates		(1,514)		(2,382)
Provisions for product warranties		2,318		2,205
Other		(2,416)		(249)
Subtotal		(5,189)		(3,268)
Amounts recognized through other comprehensive income:				
Net change in fair value of financial assets measured at fair value through other comprehensive income		61		(5,248)
Re-measurement of defined benefit pension plans		(1,417)		(2,650)
Other		1,089		(511)
Subtotal		(267)		(8,409)
Other changes		7,009		4,930
Balance as of the end of the year	¥	15,553	¥	14,000

(Note)

The difference between amounts recognized through profit or loss and income taxes—deferred are due to fluctuation of exchange rate changes.

The following table presents deductible temporary differences, carryforward of unused tax losses, and carryforward of unused tax credit for which deferred tax assets are not recognized:

(Unit: millions of yen)

December 31:		2020		2019
Deductible temporary differences	¥	2,350	¥	2,001
Carryforward of unused tax losses		19,169		18,184
Carryforward of unused tax credit		—		—

Carryforward of unused tax losses for which deferred tax assets are not recognized will expire as follows:

(Unit: millions of yen)

December 31:		2020		2019
Within 1 year	¥	734	¥	1,606
Between 1 and 5 years		943		1,337
Later than 5 years		1,842		1,484
Indefinite years		15,650		13,757
Total	¥	19,169	¥	18,184

The aggregate amounts of temporary differences relating to investments in associates for which deferred tax liabilities are not recognized were ¥8,643 million and ¥12,794 million at December 31, 2020 and 2019, respectively. The above deferred tax liabilities are not recognized since it is possible for the Company to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in foreseeable periods.

The Company reflects the effect of uncertainty in determining the related taxable profit, etc. if the Company concludes it is not probable that the taxation authority will accept an uncertain tax treatment. The amounts of such effect were not material at December 31, 2020 and 2019.

25. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The Company adopted a restricted stock compensation plan (the "Plan") for the Company's Directors. Among the new shares issued under the Plan, contingently returnable shares are distinguished as participating equity instruments from common shares.

Each common share and participating equity instrument has the same right to profit attributable to owners of the parent.

The numerator and denominator used to calculate basic earnings per share attributable to owners of the parent are presented in the following table.

Years ended December 31:	2020	2019
		(Unit: millions of yen)
Profit attributable to owners of the parent	¥ 128,524	¥ 149,061
Profit attributable to participating equity instruments	4	3
Profit attributable to common shareholders	¥ 128,520	¥ 149,058
		(Unit: thousands of shares)
Weighted-average number of common shares issued	1,214,215	1,225,902
Weighted-average number of participating equity instruments	41	27
Weighted-average number of common shares outstanding	1,214,174	1,225,875

Earnings per share attributable to owners of the parent—Diluted for the years ended December 31, 2020 and 2019 are not stated because Kubota Corporation did not have potentially dilutive common shares that were outstanding during those years.

26. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in Liabilities Arising from Financing Activities

The following table presents the reconciliation of liabilities arising from financing activities:

(Unit: millions of yen)

	Short-term borrowings	Long-term borrowings*	Bonds	Lease liabilities	Total
December 31, 2018	¥ 175,925	¥ 643,355	¥ 19,985	¥ 1,957	¥ 841,222
Adjustments recognized on adoption of IFRS 16	—	—	—	39,472	39,472
January 1, 2019	¥ 175,925	¥ 643,355	¥ 19,985	¥ 41,429	¥ 880,694
Changes arising from cash flows	10,368	52,432	—	(15,081)	47,719
Non-cash changes:	(5,814)	6,719	11	14,463	15,379
Exchange rate differences on foreign currencies	336	569	—	(138)	767
Other	(6,150)	6,150	11	14,601	14,612
December 31, 2019	¥ 180,479	¥ 702,506	¥ 19,996	¥ 40,811	¥ 943,792
Changes arising from cash flows	(25,629)	58,133	—	(14,618)	(2,114)
Non-cash changes:	(9,117)	(31,936)	4	15,935	(25,114)
Exchange rate differences on foreign currencies	(8,364)	(31,936)	—	47	(40,253)
Other	(753)	—	4	15,888	15,139
December 31, 2020	¥ 145,733	¥ 728,703	¥ —	¥ 42,128	¥ 916,564

(Note)

Funds that are borrowed for a period over three months are classified as long-term borrowings.

Non-cash Transaction

Non-cash transaction is composed of the following:

(Unit: millions of yen)

Years ended December 31:	2020	2019
Retirement of treasury shares	¥ 19,854	¥ 19,566
Acquisition of assets by means of a lease	¥ 20,224	¥ 18,171

27. FINANCIAL INSTRUMENTS

Capital Management

The Company considers equity attributable to owners of the parent to be its own capital within equity.

The Company puts the highest priority on stable and sustainable enhancement of corporate value. In order to enhance sustainable growth of corporate value, the Company has established basic capital policies to make full use of its capital for further enhancement in profitability, to ensure adequate financing and liquidity for its expansion of business, and to realize greater profit distribution to its shareholders.

Based on the above basic policies, the Company decides how to allocate its retained earnings, whilst giving consideration to maintenance of sound business operations, accommodating the future business environment and delivering stable, increasing dividends to return profits to shareholders.

There are no significant restrictions subject to the Company's capital except for those generally stipulated in the Act etc.

Credit Risk

The Company is exposed to the credit risk of its customers regarding its trade receivables, contract assets, long-term trade accounts receivable, and finance receivables in cases where customers become unable to satisfy their debt obligations.

With regard to trade receivables and contract assets, the Company determines a maximum credit limit of its customers individually, considering the customer's credit rating, details of transactions, and financial conditions, and monitors them on a regular basis in order to mitigate the credit risk. The Company obtains guarantee deposits, collaterals, and bank guarantees, if necessary. With regard to finance receivables and long-term trade accounts receivable, the Company performs credit research on its customers by referring to information for internal use and external credit reporting services at the time of entering into contracts with them. After the commencement of transactions, the Company manages and monitors due dates and performs collection activities, including reminders

through calls, emails, and letters; visits to customers; and repossessions of products sold or leased, depending on the number of day past due dates.

The carrying amount of these financial assets, net of impairment losses, stated in the consolidated statement of financial position is the Company's maximum exposures of credit risk on financial assets.

These receivables arise from sales of the Company's products to a large number of dealers and to retail end users. The Company considers there to be no credit risk due to specific dealers or customers with significant transaction volumes.

The Company is exposed to the credit risk of issuers of financial assets, which are held by the Company to invest excess funds, and derivatives, which are utilized by the Company to mitigate foreign currency risk.

To prevent these credit risks, the Company raises funds mainly through bonds with low risk and conducts transactions only with financial institutions with high credit ratings.

(1) Measurement of credit risk on trade receivables, contract assets, long-term trade accounts receivable
Long-term trade accounts receivable are generated mainly from direct sales to individual end users in the farm equipment market in Japan.

The Company always measures an allowance for doubtful accounts for trade receivables, contract assets, and long-term trade accounts receivable at an amount equal to the lifetime expected credit losses. The Company measures the expected credit losses on these financial assets in a group with similar risk characteristics, considering historical credit loss experience, current conditions and forecasts of future economic conditions. The Company also measures the expected credit losses on credit-impaired financial assets individually. The Company determines whether they are credit-impaired based on observable events, such as significant financial difficulty of the debtor, long-term past due, bankruptcy, or other financial reorganization of the debtor. Expected credit losses on contract assets are not material.

The following table presents balances of carrying amounts of trade receivables and long-term trade accounts receivable (before an allowance for doubtful accounts) by risk classification:

(Unit: millions of yen)

December 31:	Financial assets for which an allowance for doubtful accounts is always measured at an amount equal to the lifetime expected credit losses	Credit-impaired financial assets	Total
2019	¥ 720,171	¥ 3,159	¥ 723,330
2020	¥ 629,893	¥ 3,166	¥ 633,059

The following table presents reconciliation of an allowance for doubtful accounts for the above receivables:

(Unit: millions of yen)

	Financial assets for which an allowance for doubtful accounts is always measured at an amount equal to the lifetime expected credit losses	Credit-impaired financial assets	Total
January 1, 2019	¥ 2,107	¥ 977	¥ 3,084
Remeasurement	296	184	480
Collection	(167)	(56)	(223)
Write-off	(120)	(16)	(136)
Other	(12)	14	2
December 31, 2019	¥ 2,104	¥ 1,103	¥ 3,207
Remeasurement	235	165	400
Collection	(27)	—	(27)
Write-off	(54)	(54)	(108)
Other	11	(22)	(11)
December 31, 2020	¥ 2,269	¥ 1,192	¥ 3,461

(2) Measurement of credit risk on lease receivables

The Company provides finance leases mainly in Thailand. These lease receivables relate to the Company's products, such as farm equipment, etc., leased to individual and corporate end users. These lease receivables are recorded at the aggregate of minimum lease payments receivable plus the estimated residual value of the leased property, less unearned finance income and an allowance for doubtful accounts.

The Company always measures an allowance for doubtful accounts for lease receivables at an amount equal to the lifetime expected credit losses. The Company measures the expected credit losses on lease receivables in a group mainly based on locations and past due days, considering historical credit loss experience. The Company also measures the expected credit losses on credit-impaired financial assets individually. The Company determines whether lease receivables are credit-impaired based on observable events, such as long-term past due and the debtor's bankruptcy, etc. The Company does not regard past due lease receivables as credit-impaired financial assets when the Company determines that the past due resulted from a temporary shortage in funds of the debtor, the risk of default is considered low, and the debtor has a strong capacity to meet its contractual cash flow obligation in the near term. The Company held ¥4,294 million and ¥4,864 million of its products as of December 31, 2020 and 2019, respectively, for credit enhancements on credit-impaired financial assets.

The following table presents balances of carrying amounts of lease receivables (before an allowance for doubtful accounts) by risk classification:

(Unit: millions of yen)

	Financial assets for which an allowance for doubtful accounts is always measured at an amount equal to the lifetime expected credit losses	Credit-impaired financial assets	Total
December 31:			
2019	¥ 279,388	¥ 19,950	¥ 299,338
2020	¥ 295,089	¥ 17,702	¥ 312,791

The following table presents an aging analysis of past due lease receivables:

(Unit: millions of yen)

	Within 30 days past due	From 31 to 60 days past due	From 61 to 90 days past due	Longer than 90 days past due	Total past due	Current	Total
December 31:							
2019	¥ 19,276	¥ 4,832	¥ 2,782	¥ 10,846	¥ 37,736	¥ 261,602	¥ 299,338
2020	¥ 18,781	¥ 5,157	¥ 3,082	¥ 9,141	¥ 36,161	¥ 276,630	¥ 312,791

The following table presents a reconciliation of the allowance for doubtful accounts for the above receivables:

(Unit: millions of yen)

	Financial assets for which an allowance for doubtful accounts is always measured at an amount equal to the lifetime expected credit losses	Credit-impaired financial assets	Total
January 1, 2019	¥ 4,382	¥ 14,687	¥ 19,069
Remeasurement	3,707	2,060	5,767
Collection	—	—	—
Write-off	(70)	(4,069)	(4,139)
Other	575	970	1,545
December 31, 2019	¥ 8,594	¥ 13,648	¥ 22,242
Remeasurement	(297)	3,139	2,842
Write-off	—	(1,706)	(1,706)
Write-off	(102)	(2,916)	(3,018)
Other	(30)	33	3
December 31, 2020	¥ 8,165	¥ 12,198	¥ 20,363

(3) Measurement of credit risk of retail finance receivables

The Company provides retail finance to customers who purchase the Company's products, such as farm equipment, etc., from dealers mainly in North America. Retail finance receivables are purchased under agreements between the Company and dealers in relation to the products offered to individual and corporate end users. These receivables are recorded at amortized cost, less any allowance for credit losses.

The Company measures an allowance for doubtful accounts for retail finance receivables at an amount equal to 12-month expected credit losses when the credit risk on these receivables at the end of the reporting period has not significantly increased since initial recognition, and at an amount equal to life-time expected credit losses when the credit risk on these receivables at the end of the reporting period has significantly increased since initial recognition.

When the credit risk on these receivables at the end of the reporting period has not increased significantly since initial recognition, the Company measures the 12-month expected credit losses in a group mainly based on past due days, considering historical credit loss experience, current conditions, and forecasts of future economic conditions.

When the credit risk has increased significantly since initial recognition, the Company measures an allowance for doubtful accounts for retail finance receivables at an amount equal to the lifetime expected credit losses, considering historical credit loss experience, current conditions, forecasts of future economic conditions, and recoverable amounts from repossession of products sold or leased. The Company determines whether retail finance receivables are credit-impaired financial assets mainly based on past due information over a certain period and objective evidence, such as the debtor's bankruptcy. The Company held ¥1,050 million and ¥1,553 million of its products as of December 31, 2020 and 2019, respectively, for credit enhancements on credit-impaired financial assets.

The following table presents balances of carrying amounts of retail finance receivables (before an allowance for doubtful accounts) by risk classification:

(Unit: millions of yen)

December 31:	Financial assets for which an allowance for doubtful accounts is measured at an amount equal to 12-month expected credit losses	Financial assets for which an allowance for doubtful accounts is measured at an amount equal to the lifetime expected credit losses		Credit-impaired financial assets	Total
		Financial assets on which credit risk increased significantly since initial recognition, but that are not credit-impaired			
2019	¥ 715,040	¥ 1,548		¥ 1,958	¥ 718,546
2020	¥ 832,401	¥ 1,947		¥ 1,958	¥ 836,306

The following table presents an aging analysis of past due retail finance receivables as of December 31, 2020 and 2019:

(Unit: millions of yen)

December 31:	Within 30 days past due	From 31 to 60 days past due	From 61 to 90 days past due	Longer than 90 days past due	Total past due	Current	Total
2019	¥ 45,760	¥ 4,062	¥ 1,121	¥ 1,843	¥ 52,786	¥ 665,760	¥ 718,546
2020	¥ 46,505	¥ 4,211	¥ 1,411	¥ 1,233	¥ 53,360	¥ 782,946	¥ 836,306

The following table presents a reconciliation of an allowance for doubtful accounts for the above receivables:

(Unit: millions of yen)

	Financial assets for which an allowance for doubtful accounts is measured at an amount equal to 12-month expected credit losses		Financial assets for which an allowance for doubtful accounts is measured at an amount equal to the lifetime expected credit losses		Credit-impaired financial assets	Total
	¥		¥			
January 1, 2019	¥	1,519	¥	241	¥ 220	¥ 1,980
Remeasurement		585		181	1,384	2,150
Write-off		(45)		(5)	(1,344)	(1,394)
Other		(269)		—	4	(265)
December 31, 2019	¥	1,790	¥	417	¥ 264	¥ 2,471
Remeasurement		1,335		306	1,792	3,433
Write-off		(44)		(1)	(1,883)	(1,928)
Other		(272)		(31)	93	(210)
December 31, 2020	¥	2,809	¥	691	¥ 266	¥ 3,766

Liquidity Risk

The Company is exposed to liquidity risk that the Company may have difficulties in satisfying payment obligations. The Company manages liquidity risk by maintaining retained earnings at an appropriate level and monitoring cash flow plans and actual results.

The following table presents financial liabilities by due date:

(Unit: millions of yen)

	Carrying amount	Contractual cash flows	Within 1 year	From 1 to 5 years	More than 5 years
December 31, 2020:	¥	¥	¥	¥	¥
Trade payables	323,607	323,607	323,607	—	—
Other financial liabilities	113,413	113,910	84,168	25,971	3,771
Bonds and borrowings	874,436	896,203	377,329	518,874	—
Derivative liabilities	5,569	5,569	3,402	2,167	—

(Unit: millions of yen)

	Carrying amount	Contractual cash flows	Within 1 year	From 1 to 5 years	More than 5 years
December 31, 2019:	¥	¥	¥	¥	¥
Trade payables	293,774	293,774	293,774	—	—
Other financial liabilities	99,995	100,666	72,842	23,862	3,962
Bonds and borrowings	902,981	933,126	400,614	532,512	—
Derivative liabilities	9,112	9,112	6,763	2,348	1

Market Risk

(1) Foreign currency exchange rate risks

The Company's exposure to foreign currency risk relates primarily to assets and liabilities denominated in foreign currencies associated with international operations. The Company enters into forward foreign exchange contracts, cross-currency swap contracts, and cross-currency interest rate swap contracts, which are designated to mitigate its exposure to foreign currency exchange rate risk.

For financial instruments denominated in foreign currencies held by the Company as of each reporting date, if the Japanese yen appreciates by 1% against the currencies in the following table, impacts to profit before income taxes in the consolidated statement of profit or loss are stated in the table below.

The table below does not include impacts of translating financial instruments denominated in Japanese yen and assets, liabilities, income, and expenses of foreign operations into Japanese yen. In addition, currencies other than those stated in the following table are assumed to remain unchanged.

(Unit: millions of yen)

December 31:		2020		2019
US dollar	¥	(587)	¥	(351)
Euro		(132)		(115)
Thai baht		33		(19)
Chinese yuan		(106)		(64)

(2) Interest rate risk

The Company is exposed to interest rate risk mainly inherent in its debt obligations with both fixed and variable rates. In order to hedge interest rate risk, the Company enters into interest rate swap contracts and cross-currency interest rate swap contracts to manage the risk of its fixed and variable interest rate exposures, and therefore, the exposure to interest rate risk is not material to the Company's cash flows.

Derivative and Hedge Accounting

As stated in Note 3. SIGNIFICANT ACCOUNTING POLICIES, Financial Instruments, (3) Derivatives and hedge accounting, hedge accounting was not applied to derivatives.

Fair Value of Financial Instruments

(1) Financial instruments measured at fair value

The following table presents fair values of financial instruments measured at fair value:

(Unit: millions of yen)

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at fair value through other comprehensive income:				
Equity financial assets	92,124	—	5,782	97,906
Financial assets measured at fair value through profit or loss:				
Derivatives:				
Foreign exchange contracts	—	817	—	817
Cross-currency interest rate swap contracts	—	115	—	115
Total	¥ 92,124	¥ 932	¥ 5,782	¥ 98,838
Financial liabilities:				
Financial liabilities measured at fair value through profit or loss:				
Derivatives:				
Foreign exchange contracts	¥ —	¥ 873	¥ —	¥ 873
Interest swap contracts	—	1,803	—	1,803
Cross-currency interest rate swap contracts	—	2,893	—	2,893
Total	¥ —	¥ 5,569	¥ —	¥ 5,569

(Unit: millions of yen)

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at fair value through other comprehensive income:				
Debt financial assets	¥ 8,180	¥ —	¥ —	¥ 8,180
Equity financial assets	106,218	—	2,632	108,850
Financial assets measured at fair value through profit or loss:				
Derivatives:				
Foreign exchange contracts	—	64	—	64
Cross-currency swap contracts	—	14	—	14
Total	¥ 114,398	¥ 78	¥ 2,632	¥ 117,108
Financial liabilities:				
Financial liabilities measured at fair value through profit or loss:				
Derivatives:				
Foreign exchange contracts	¥ —	¥ 2,231	¥ —	¥ 2,231
Cross-currency swap contracts	—	100	—	100
Interest swap contracts	—	1,215	—	1,215
Cross-currency interest rate swap contracts	—	5,566	—	5,566
Total	¥ —	¥ 9,112	¥ —	¥ 9,112

Debt financial assets and equity financial assets classified in Level 1 are measured at fair value using quoted prices for identical assets in active markets.

Derivatives are classified in Level 2 since they are measured at fair value using observable market inputs obtained from major international financial institutions.

Equity financial assets classified in Level 3 are unlisted equity securities and measured at fair value using methods such as the comparable company comparison method with the earnings before interest and tax (“EBIT”) ratio (from 5.4 to 27.3), etc. As the EBIT ratio increases (decreases), the fair values on those equity financial assets increase (decrease).

Transfers between levels are recognized at the end of the reporting periods when such transfers occur. There were no significant transfers of financial instruments between the levels for the year ended December 31, 2020.

The following table presents reconciliation of financial instruments classified in Level 3:

(Unit: millions of yen)

Years ended December 31:	2020	2019
Balance as of the beginning of the year	¥ 2,632	¥ 3,025
Gains or losses*	860	(369)
Purchases	2,424	501
Sales	(134)	(525)
Balance as of the end of the year	¥ 5,782	¥ 2,632

(Note)

* Gains or losses are those related to unlisted equity securities held as of December 31, 2020 and 2019, and included in net changes in fair value of financial assets measured at fair value through other comprehensive income in the consolidated statement of comprehensive income.

(2) Financial instruments measured at amortized cost

The following table summarizes the carrying amount and fair value of financial instruments measured at amortized cost:

(Unit: millions of yen)

December 31:	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Finance receivables:				
Retail finance receivables	¥ 832,540	¥ 840,907	¥ 716,075	¥ 699,687
Finance lease receivables	292,428	345,581	277,096	316,736
Long-term trade accounts receivable	70,767	75,464	66,863	71,829
Bonds and borrowings	874,436	883,983	902,981	901,316

The fair value of finance receivables, long-term trade accounts receivable, and bonds and borrowings is stated at the present value of future cash flows discounted by the current market rate and classified as Level 2. Long-term trade accounts receivable in the above table includes the current portion, which is included in trade receivables in the consolidated statement of financial position.

The carrying amounts of cash and cash equivalents, trade receivables (excluding the current portion of long-term trade accounts receivable), other financial assets (excluding debt financial assets measured at fair value, equity financial assets, and derivatives), trade payables, and other financial liabilities (excluding derivatives) approximate their fair values due to their short-term maturity.

Offsetting Financial Assets and Liabilities

The amount of financial assets and liabilities not offset but subject to enforceable master netting agreements or similar agreements because they do not satisfy part or all of requirements for offsetting of financial assets and financial liabilities was not material.

28. MAJOR SUBSIDIARIES

Major Subsidiaries

The Company's major subsidiaries are stated in 1. *Overview of the Company*, 4. *Information on Affiliates*.

Subsidiary with Material Noncontrolling Interests

The condensed financial statements of the subsidiary with material noncontrolling interests, SIAM KUBOTA Corporation Co., Ltd., located in Thailand were as follows:

(Unit: millions of yen)

December 31:	2020	2019
Shareholding ratio of noncontrolling interests	40.0%	40.0%

(Unit: millions of yen)

December 31:	2020	2019
Current assets	¥ 108,378	¥ 126,659
Noncurrent assets	62,632	45,261
Current liabilities	35,942	37,561
Noncurrent liabilities	2,917	3,071
Equity	132,151	131,288
Cumulative amount of noncontrolling interests	55,460	55,232

(Unit: millions of yen)

Years ended December 31:	2020		2019	
Revenue	¥	169,105	¥	176,724
Profit for the year		18,334		16,880
Comprehensive income for the year		18,334		16,880
Profit attributable to noncontrolling interests		7,209		6,541
Dividends paid to noncontrolling interests		4,436		3,830

29. RELATED-PARTY TRANSACTIONS

The aggregate compensation paid by the Parent Company for the year ended December 31, 2020, to the Directors, including the Outside Directors, was as follows:

(Unit: millions of yen)

Years ended December 31:	2020		2019	
Remunerations and bonuses	¥	758	¥	623
Restricted stock compensation		108		88
Total	¥	866	¥	711

30. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments

Commitments for acquisition of property, plant, and equipment were ¥72,758 million and ¥15,513 million at December 31, 2020 and 2019, respectively. Commitments for acquisition of intangible assets were ¥2,089 million and ¥519 million, respectively.

Commitments for acquisition of property, plant, and equipment at December 31, 2020 and 2019, were primarily in respect of building a new R&D hub.

Guarantees

The Company is contingently liable as guarantor of the indebtedness of distributors, including associates and customers, for their borrowings from financial institutions. The Company would have to perform under these guarantees in the event of default on a payment within the guarantee periods of one to four years. The maximum potential amounts of undiscounted future payments of these financial guarantees were ¥3,442 million and ¥3,642 million at December 31, 2020 and 2019, respectively. The fair values of these financial guarantees were not material, and the probability of incurrence of a loss is remote.

Legal Proceedings

Since May 2007, the Company has been subject to 43 asbestos-related lawsuits in Japan, which were filed against the Company or defendant parties consisting of the Japanese government and asbestos-related companies, including the Company. With regard to the four lawsuits, the Company won the cases in the first instance and in the appellate court, and the appellate court decision has become final as the plaintiffs' motion for acceptance of appeal was rejected. Other 39 case is still ongoing, and the total claims for compensation of all lawsuits aggregate to ¥21,494 million, which relate to 562 construction workers who suffered from asbestos-related diseases.

20 among 39 lawsuits were compiled into six cases, the first instance ordered the Company to pay compensation damages of ¥2 million under judgement for one case, and others decided in favor of the Company. However, all cases were appealed to the appellate court. One case, the appellate court ordered the Company to pay compensation damages of ¥7 million under the judgement. Apart from the above case, three appellate courts ruled in favor of the Company, but the plaintiffs of all cases appealed to the supreme courts.

The Company reviews the status of each lawsuit on a regular basis by consulting with a third party legal counsel. However, due to the aforementioned reasons, the Company believes that it is currently unable to predict the ultimate outcome of all lawsuits.

The Company does not have any cost-sharing arrangements with other potentially responsible parties, including the government, for these 43 lawsuits.

Matters Related to the Health Hazards of Asbestos

Until 1995, the Company's plant in Amagasaki, Hyogo Prefecture, Japan, produced asbestos-related products. The Company had other plants which also produced asbestos-related products and completely ceased such production by 2001. The Company decided to make voluntary consolation payments to certain residents in June 2005 and established a relief payment program in place of the consolation payment to the residents in April 2006. With regard to the current and former employees who suffered and are suffering from asbestos-related diseases, the Company provides compensation which is not required by law, but is made in accordance with the Company's internal policies.

In its effort to develop an estimate of future asbestos-related expenditures, the Company has considered all available data, including a time series of historical claims and payments, the rate of incidence of asbestos-related disease, and public information related to asbestos-related disease. However the health hazards of asbestos tend to have a longer incubation period, and therefore reliable statistics related to the rate of incidence in asbestos-related disease are not available to the Company. Furthermore, since there have not been any asbestos-related events impacting other companies in Japan for which all claims have been finalized, for estimation of the rate of incidence, the Company believes it is not possible to decide the range of the final possible outcome in the future. For these reasons, the Company believes it is not possible to reliably estimate the amount of its ultimate liability, and the Company does not accrue on this contingency.

The Japanese government established the Law for the Relief of Patients Suffering from Asbestos-Related Diseases (the "New Asbestos Law") in March 2006. This law was enacted for the purpose of promptly providing relief to the people suffering from asbestos-related diseases who are not eligible for relief by compensation from insurance in accordance with the Workers' Accident Compensation Insurance Law (the "Insurance"). The relief aid payments are contributed by the national government, municipal governments, and business entities. The contributions made by business entities include a special contribution by the companies which operated a business closely related to asbestos, and commenced from the year ended March 31, 2008.

The Company accrues asbestos-related expenses when the Company receives the related claims, which include possible payments to certain residents who lived near the Company's plant, current and former employees, and the special contribution in accordance with the New Asbestos Law. The accrued balances for those expenses are ¥222 million and ¥143 million at December 31, 2020 and 2019, respectively. The asbestos-related expenses recognized for the years ended December 31, 2020 and 2019, were ¥817 million and ¥971 million, respectively.

31. SUBSEQUENT EVENTS

Not applicable.

32. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved on March 19, 2021, by Yuichi Kitao, President and Representative Director of the Parent Company, and Masato Yoshikawa, Director and Senior Managing Executive Officer, General Manager of Planning & Control Headquarters of the Parent Company.

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

NOTE TO READERS:

The following is an English translation of the Independent Auditor's Report filed under the Financial Instruments and Exchange Act of Japan. This report is presented merely as supplemental information.

March 19, 2021

To the Board of Directors of
Kubota Corporation:

Deloitte Touche Tohmatsu LLC
Osaka office

Designated Engagement Partner,
Certified Public Accountant:

Koichiro Tsukuda

Designated Engagement Partner,
Certified Public Accountant:

Takeshi Ito

Designated Engagement Partner,
Certified Public Accountant:

Hideaki Takagi

Audit of Financial Statements

Opinion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of Kubota Corporation and its consolidated subsidiaries (the "Group") included in the Financial Section, namely, the consolidated statement of financial position as of December 31, 2020, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from January 1, 2020 to December 31, 2020, and a summary of significant accounting policies and other explanatory information, and the consolidated supplementary schedules.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards pursuant to the provisions of Article 93 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated

Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with International Financial Reporting Standards.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with International Financial Reporting Standards, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

· Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Audit of Internal Control

Opinion

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of Kubota Corporation as of December 31, 2020.

In our opinion, management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of Kubota Corporation as of December 31, 2020, is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Internal Control Audit section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibility of Management and Audit & Supervisory Board Members and Audit & Supervisory Board for Report on Internal Control

Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing and verifying the design and operating effectiveness of internal control over financial reporting. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibilities for the Internal Control Audit

Our objectives are to obtain reasonable assurance about whether management's report on internal control over financial reporting is free from material misstatement and to issue an auditor's report that includes our opinion.

As part of an audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

· Perform audit procedures to obtain audit evidence regarding the results of the assessment of internal control over financial reporting in management's report on internal control. The procedures selected depend on the auditor's judgment, including the significance of effects on reliability of financial reporting.

· Examine representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.

· Obtain sufficient appropriate audit evidence regarding the results of the assessment of internal control over financial reporting. We are responsible for the direction, supervision and performance of the internal control audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the internal control audit, result of the internal control audit, including any identified material weakness which should be disclosed and the result of remediation.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Readers of Independent Auditor's Report

This is an English translation of the independent auditor's report as required by the Financial Instruments and Exchange Act of Japan for the conveniences of the reader.

COVER

[Document Filed]	Confirmation Letter
[Applicable Law]	Article 24-4-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed to]	Director, Kanto Local Finance Bureau
[Filing Date]	March 19, 2021
[Company Name]	Kabushiki Kaisha Kubota
[Company Name in English]	Kubota Corporation
[Title and Name of Representative]	Yuichi Kitao, President and Representative Director
[Title and Name of CFO]	Masato Yoshikawa, Director and Executive Vice President, General Manager of Planning & Control Headquarters
[Address of Head Office]	2-47, Shikitsuhigashi 1-chome, Naniwa-ku, Osaka, JAPAN
[Place Where Available for Public Inspection]	Kubota Corporation, Tokyo Head Office (1-3, Kyobashi 2-chome, Chuo-ku, Tokyo, JAPAN) Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabuto-cho, Chuo-ku, Tokyo, JAPAN)

1. Matters Related to Adequacy of Statements Contained in the Annual Securities Report

Yuichi Kitao, President and Representative Director, and Masato Yoshikawa, Director and Executive Vice President, General Manager of Planning & Control Headquarters, confirmed that statements contained in the Annual Securities Report for the 131st fiscal year (from January 1, 2020 to December 31, 2020) were adequate under the Financial Instruments and Exchange Act of Japan.

2. Special Notes

Not applicable.

COVER

[Document Filed]	Internal Control Report
[Applicable Law]	Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed to]	Director, Kanto Local Finance Bureau
[Filing Date]	March 19, 2021
[Company Name]	Kabushiki Kaisha Kubota
[Company Name in English]	Kubota Corporation
[Title and Name of Representative]	Yuichi Kitao, President and Representative Director
[Title and Name of CFO]	Masato Yoshikawa, Director and Executive Vice President, General Manager of Planning & Control Headquarters
[Address of Head Office]	2-47, Shikitsuhigashi 1-chome, Naniwa-ku, Osaka, JAPAN
[Place Where Available for Public Inspection]	Kubota Corporation, Tokyo Head Office (1-3, Kyobashi 2-chome, Chuo-ku, Tokyo, JAPAN) Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabuto-cho, Chuo-ku, Tokyo, JAPAN)

(TRANSLATION)

Management's Report on Internal Control over Financial Reporting

NOTE TO READERS

The following is an English translation of management's report on internal control over financial reporting filed under the Financial Instruments and Exchange Act of Japan. This report is presented merely as supplemental information.

1. Matters Relating to the Basic Framework for Internal Control over Financial Reporting

Yuichi Kitao, President and Representative Director, and Masato Yoshikawa, Director and Executive Vice President, General Manager of Planning & Control Headquarters, are responsible for designing and operating effective internal control over financial reporting of Kubota Corporation and its subsidiaries (collectively, the "Company"), and have designed and operated internal control over financial reporting of the consolidated financial statements in accordance with the basic framework for internal control set forth in "The Standards and Practice Standards for Management Assessment and Audit of Internal Control Over Financial Reporting" published by the Business Accounting Council.

The internal control is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

2. Matters Relating to Scope of Assessment, the Assessment Date, and Assessment Procedures

The assessment of internal control over financial reporting was performed as of December 31, 2020, which is the end of this fiscal year. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In conducting this assessment, we evaluated internal controls which may have a material effect on the entire financial reporting in a consolidation ("company-level controls") and based on the result of this assessment, we appropriately selected business processes to be tested. We analyzed these selected business processes, identified key controls that may have a material impact on the reliability of the Company's financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of the Company's internal control.

We determined the required scope of assessment of internal control over financial reporting for Kubota Corporation, as well as its subsidiaries and affiliated companies, from the perspective of materiality that may affect the reliability of our financial reporting. This materiality that may affect the reliability of financial reporting is determined taking into account the materiality of quantitative and qualitative impacts. We confirmed that we had reasonably determined the scope of assessment of internal controls over business processes in light of the results of assessment of company-level controls conducted for Kubota Corporation, as well as its subsidiaries and affiliated companies. We did not include those subsidiaries and affiliated companies which do not have any quantitatively or qualitatively material impact on the consolidated financial statements in the scope of assessment of company-level controls.

Regarding the scope of assessment of internal control over business processes, we selected business units to be tested, and the business units whose combined revenues (after elimination of intercompany transfers) reached approximately two-thirds of total consolidated revenues for the prior fiscal year were selected as "significant business units."

At the selected significant business units, we included, in the scope of assessment, those business processes leading to revenue, accounts receivable, finance receivables, and inventories as significant accounts that may have a material impact on the business objectives of the Company. Further, we added certain business processes included in business units other than the significant business units to our scope of assessment, as the business processes have greater materiality considering their impact on the financial reporting, those business processes relating to a greater likelihood of material misstatements and significant accounts involving estimates and management's judgment, and those business processes relating to businesses or operations dealing with high-risk transactions.

3. Matters Related to the Results of the Assessment

As a result of the preceding assessment, we concluded that our internal control over financial reporting was effective as of December 31, 2020.

4. Supplementary Matters

Not applicable.

5. Special Information

Not applicable.