For Earth, For Life

Kubota

Kubota Group

INTEGRATED REPORT 2024

Editorial Note

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

In last year's report, we included fuller explanations of implementation strategies based on six types of capital we utilize to achieve our value creation processes and the Long-Term Vision. We also introduced feedback from the employees who are on the front lines of our efforts to create value through employee roundtable discussions. We also disclosed some targets of materiality, and recognized how these tie into our Long-Term Vision and each of the measures we are taking.

In the report this year, we are taking the information in last year's report on board but our guiding principle this time is to dig deeper and take a broader look. Specifically, in response to the feedback we gained from shareholders and investors, we have disclosed more information on targets of materiality that we announced last year. Moreover, this year we disclose specific progress toward achieving GMB2030 on solutions in the fields of food, water, and the environment, and DX initiatives.

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

Period covered by the INTEGRATED REPORT 2024

From January 2023 to December 2023

* Matters outside the above period are partially included.
* We intend to update the report each June, with the next edition scheduled for June 2025.

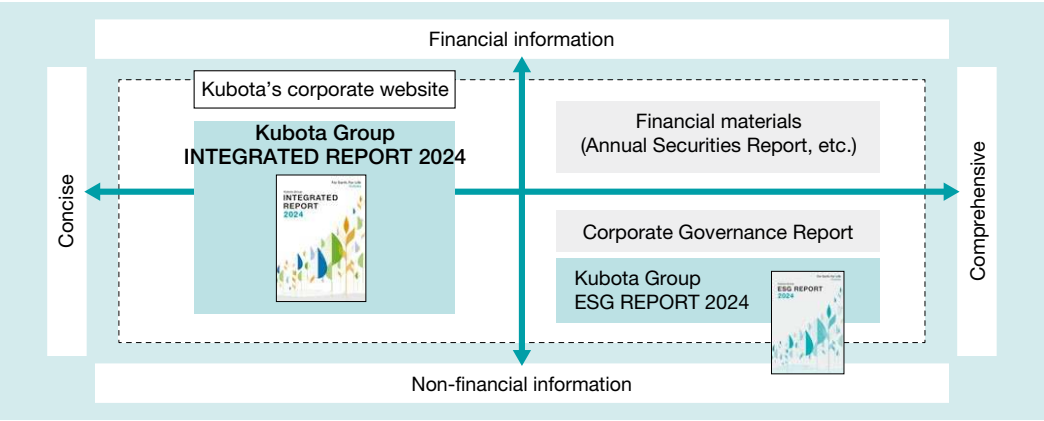
Boundary of the INTEGRATED REPORT 2024

In principle, the entire Kubota Group is covered.

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

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

How this report fits into our overall information disclosure



Main information disclosure tools	Details
Kubota's corporate website	A website that covers everything about the Kubota Group, including the Long-Term Vision "GMB2030" and the Mid-Term Business Plan 2025.
Kubota Group INTEGRATED REPORT 2024	An annual report that focuses on Kubota's approach, based on management strategies that take a medium-to-long-term perspective, and its future outlook.
Kubota Group ESG REPORT 2024	A report that provides details on initiatives that correspond to the three ESG topics. The profile part of the report, which precedes the ESG reporting, explains more about the corporate principles and policies that form the basis for these initiatives, and also gives an overview of Kubota Corporation. Environmental reporting / Social reporting / Governance The ESG Report can be found via the link below. https://www.kubota.com/ir/financial/integrated/esg-report/data/esgreport2024-en-full.pdf
Corporate Governance Report	A report listing details of systems and policies based on Kubota's Corporate Governance Code.
Annual Securities Report	An annual report that provides particular detail on Kubota's finances.

INTEGRATED REPORT 2024 Contents and Highlights

This report has been divided into five chapters and systematically provides information such as on the strategies we are implementing to achieve our Long-Term Vision "GMB2030," and our efforts to enhance management capital.

Chapter 01

Value Creation Objectives

Chapter 1 introduces the story of our value creation as an ideal that we aspire to in value creation. It also covers the path we have taken since our establishment, resolving social issues in the fields of food, water, and the environment, while simultaneously creating social and economic value, and our solutions that aim to bring about the Long-Term Vision "GMB2030."

Chapter 02

Value Creation Growth Strategies

Chapter 2 looks at our strategies aimed at sustainable growth. It provides our Mid-Term Business Plan and an overarching view of the K-ESG management we use to promote sustainable growth on both business and ESG fronts. The chapter also explains our management capital, such as finance, human resources and R&D, that promotes our Mid-Term Business Plan and K-ESG Management through messages from the directors in charge.

Chapter 03

Foundation of Value Creation

Chapter 3 details the initiatives needed for environmental and social sustainability that form the basis of our value creation.

Chapter 04

Value Creation Governance

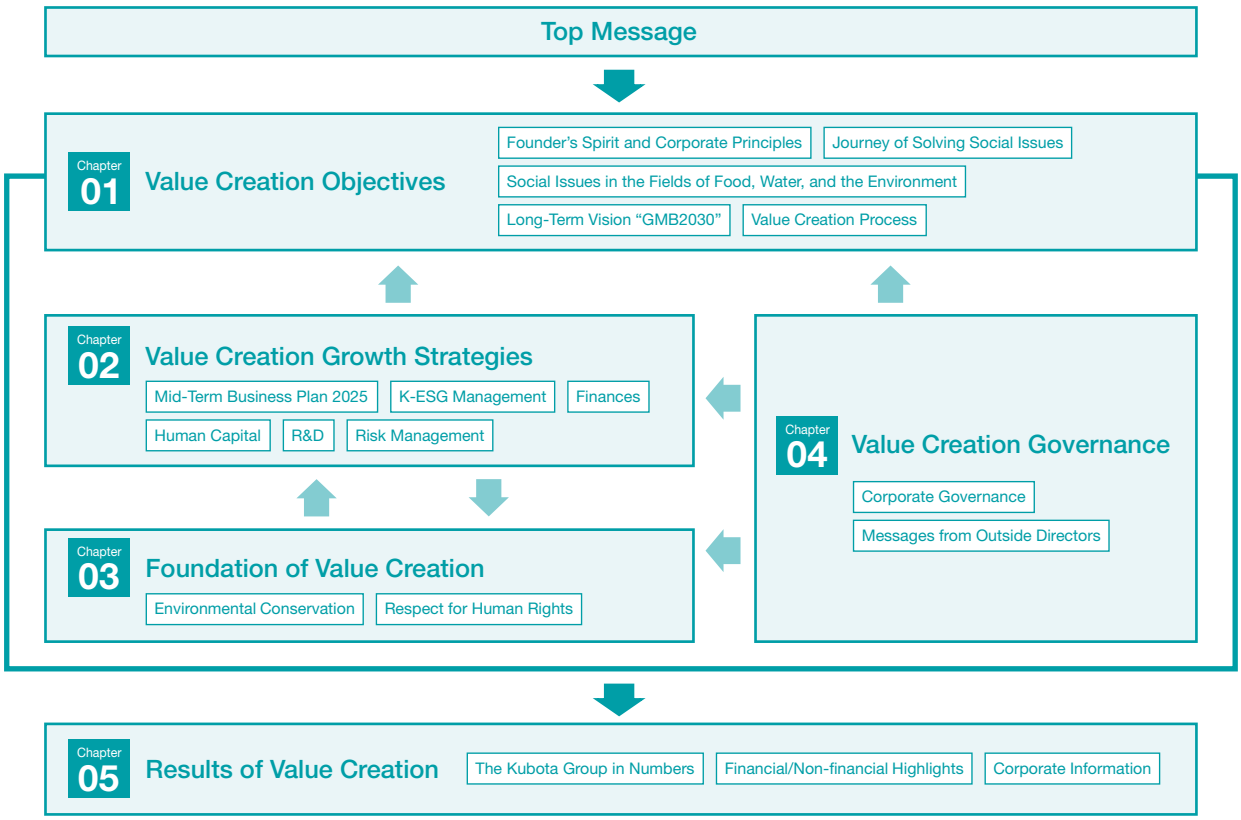
Chapter 4 describes topics such as the corporate governance that we use to ensure a sound footing for the Kubota Group and efficient, transparent management. It also includes, as this year's special feature, a dialogue between our president, outside directors, and an outside auditor.

Chapter 05

Results of Value Creation

Chapter 5 covers financial and non-financial data as well as corporate data.

Configuration of This Report



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Top Message

To be a truly global company, we will strive to embody the "One Kubota" concept and achieve sustainable growth.

Yuichi Kitao

President and
Representative Director,
Kubota Corporation

Setting new records for revenue and operating profit

For the fiscal year ended December 31, 2023, the Kubota Group's revenue reached 3,020.7 billion yen, setting a new record for the second year in a row and passing the symbolic 3-trillion-yen milestone. Operating profit for the year also set a new record, at 328.8 billion yen.

Last year was a year of reforms to accelerate our overseas expansion, in which we in the Kubota Group came together to promote our drivers of growth, and focused our energies on reviewing our product and business portfolio, and this was born out in this excellent business performance. Of particular note was the expansion of sales of construction machinery in North America, which has steady demand for the housing market, and the contribution of Escorts Ltd. (currently Escorts Kubota Limited), the Indian company we made a consolidated subsidiary in 2022.

Looking back at the last two years, in 2022 operations were inefficient due to external factors such as soaring material prices and logistics disruption, and the increased revenue we achieved was swallowed up by higher costs. In 2023, however, measures to address these higher costs—such as enhancing our business structure or revising our prices—went to plan, and the breadth of the material cost problem narrowed, which alongside the weaker yen helped to increase both revenue and profit. As high costs were gradually absorbed, we started to see the effects of our initiatives to raise profit margin. By fiscal 2023, operating profit contribution totaled 33 billion yen, and profit margin improved as a result.

When we compare our business performance for fiscal 2023 with pre-pandemic 2019, we can see that both revenue and operating profit have grown by about 60%, and that by steadily working on the targets of our Mid-Term Business Plan 2025 we have achieved sustainable growth.

Maintaining the highest level of business performance in 2024, while strengthening our supply chains

Forecasts for the market situation in fiscal 2024 from the International Monetary Fund (IMF) suggest that the global economy will grow 3.1%, while it predicts the growth rate for the U.S. economy will decelerate. As such, we are paying particular attention to the market situation for our Farm & Industrial Machinery business, which accounts for more than 80% of our revenue. In North America, we believe that sales of new-build detached houses in the U.S. will continue to grow steadily, so we predict that our CTLs—used for preparing the ground at construction sites or transporting soil—will keep a good demand, and so we forecast securing similar sales figures for construction machinery business as in the previous fiscal year.

In Europe, meanwhile, the construction machinery business may become a shrinking trend in demand as an obviously diminishing desire to invest due to higher interest rates. We also predict that the tractor market there will continue to be weak. In Asia, while there is likely to be weakness in some areas, such as due to droughts in Thailand or lower subsidies in China, we predict that India will see gentle growth. As a result of the above, business performance for the fiscal year ending December 31, 2024 is forecast to result in revenues that slightly exceed those of the previous fiscal year in segments both the Farm & Industrial Machinery business and Water & Environment business. We therefore predict growth of around 1% in the aggregate. For operating profit, while it should increase through factors such as raising product prices and fluctuations in exchange rates, the cost of materials continues to worsen, among other factors. Therefore, excluding transient factors of increased profit last year, we expect operating profit to be nearly the same.

In terms of business risks, supply chain disruption resulting from geopolitical risks continues to pose a threat. As most of the CTLs that are selling well are actually produced in Japan and exported to the U.S., we are currently transferring production bases to the U.S., among other efforts to mitigate product supply risks. We continue to take geopolitical risks into careful consideration, and so, we are moving ahead with our initiatives—building up a safe inventory levels, which is for preparations just in case, and a twin-base production system, which is set up by returning producing of core products to Japan. We also continue to switch to a system that allows us to manufacture by local affiliates worldwide which can manage to do by themselves, to strengthen our efforts toward local production and consumption. Through these initiatives, we are developing robust supply chains, while also minimizing lead times.

Accelerating global expansion to achieve the Long-Term Vision "GMB2030"

With the Long-Term Vision "GMB2030," we have outlined our aim of becoming an "Essentials Innovator for Supporting Life" by developing new solutions and expanding existing businesses. In the latter, one of our main initiatives is opening up the Indian market.

We got our start in the market in 2008 when we established the local subsidiary Kubota Agricultural Machinery India Private Ltd. Since then, we have imported and sold tractors and other agricultural machinery there, most of which was manufactured in Southeast Asia. Looking back at that time, I remember visiting India in 2006 as the general manager of the Tractor Engineering Department, just as we were starting on a full-scale entry into the Indian market. Since then, I have traveled between India and Japan countless times. When we first entered the market, it was still normal for rice farmers to plant seedlings in their paddies by hand. One lasting impression is the feedback we received from rice paddy farmers saying how convenient it was after they introduced Kubota tractors and used them to carry out the normally arduous work of tilling the soil of paddy fields. We felt triumphant—if we could bring our lightweight, compact tractors to the market, we would significantly increase our market share—and yet it was not that easy, and sales were very difficult for many years. The reasons for this included the different way in which tractors were used in the Indian market, the very different levels of durability farmers there demanded, and the costs of transporting products manufactured in Thailand into India.

That lead us to investigate the possibility of manufacturing products there in India domestically. However, before we could do this, we needed to construct a local supply chain for components and parts, and this likewise proved challenging, and dealing with the twists and turns this threw up took time. Therefore, we decided to set up a joint venture with Escorts Ltd., an Indian company with an existing supply chain and an ability to manufacture products competitively in a lower price. By doing so, we had finally found our path into the Indian tractor market, the world's biggest by unit sales. In 2022, we made since renamed Escorts Kubota Ltd. our consolidated subsidiary; accelerated our global strategy centered on India; and continued to increase export opportunities from India to Europe.

In the ten years or so since we entered the Indian market, the percentage share remained in the single figures, but as of 2023 the Indian market share for the entire Kubota Group grew to around 12%. Looking to the future, our goal is for the combined share held by Kubota Corporation and Kubota Escorts to double by 2030, and thinking beyond the domestic Indian market, we hope to accelerate global markets expansion by exporting our relatively low-priced basic function tractors from India to Europe, North America, and new markets such as Africa.

Initiatives to earnestly respond to feedback from customers and dealers that Kubota has always valued since its establishment

The model we have followed in the opening up of the Indian market is actually that of a Japanese car manufacturer. The company was quick to enter India back in the 1980s, and through joint ventures with local companies, it nurtured homegrown component manufacturers, and broke its way into the market through high-quality manufacturing. Likewise, we, at the Kubota Group, looked to learn from the company and strove to construct a high-quality supply chain while keeping low cost.

Tractor assembly lines at Escorts Kubota Ltd.

However, the Kubota Group also has its own advantage it can bring to bear: sales activities and after-sales services that closely provide to local customers and dealers. While some of our competitors have developed a sales activity of specializing in wholesaling, we have always valued having a ready ear for the problems that our customers and dealers face and have aimed to resolve these so as to grow together—i.e., market-oriented activities. This sense of values of earnestly responding to customers' issues is backed up by long tradition, and is the epitome of the spirit of "On Your Side" that I treasure. This is not just limited to our business in Japan, it is a universal spirit that has spread to all Kubota Group companies around the world. For instance, Kubota Tractor Corporation (KTC), a sales subsidiary in the U.S., values its concept of "Listen to the dealer," which forms the basis for its sales activities.

It is not just sales departments in each region of the world that take on board customer or dealer feedback though, the same is true of our R&D departments. Where necessary, we

dispatch employees to the local area to listen to the opinions of those who live and work there, even when critical, and work to sincerely tackle the problems they bring up. The riding lawn mowers and utility vehicles that have proven such a big hit in North America were actually born out of this "Listen to the dealer" mindset.

We will continue to prioritize these kinds of market-oriented activities in the Indian market through activities that closely provide to customers and dealers, as we try to carve out a steadfast position as a brand that can be trusted. The competition for basic function tractors is ruthless among price-competitive Indian manufacturers and competitors from China or South Korea. Therefore, the various companies of the Kubota Group will demonstrate their individual strengths, and combine their energies to construct development and manufacturing bases and establish a competitive advantage in the Indian market.

Going forward, we expect to see the basic function tractor market expand in India, but also in Europe and Africa, and so by making India an export base, we will make steady progress—one step at a time—toward becoming Global Major Brand Kubota.

The key to whether we become this kind of truly global company and achieve our goals or not is the extent to which we can demonstrate the strengths that we have cultivated over more than 130 years and what sets us apart from our competitors. Taking agricultural and construction machinery as an example, while our competitors may be stronger in large-sized machinery, we have been praised the world over for our compact machines with their maneuverability in a small space. Many applications rely on this kind of compactness, so this is one strength our competitors lack.

We manufacture and supply a lineup of tractors, but also various implements that can be attached to them. Proposals for different implements that provide to the varying agricultural needs of each region are important, and this is an advantage we have to differentiate ourselves from our rivals. In the future, to contribute to greater agricultural productivity, we will give serious consideration to the roles our tractors and implements should fulfill.

Promoting innovation from R&D investment and collaboration with global partners

As we work on the business operation structure reforms that we included in Mid-Term Business Plan 2025, we recognize how important it is to promote unique Kubota's ESG management, as summed up in the plan's concrete initiative to develop business operations that shift ESG to the core of management. In the years to come, there will only be so much we can do to address social issues through our products alone, and so a business operation structure that can provide total solutions in the Farm & Industrial Machinery business as well as the Water & Environment business is needed. As we approach 2030, we have stated our intention to be an "Essentials Innovator for Supporting Life" and I do not want us to limit ourselves to just providing products and machinery, but to found a platform that can support the entire industry, and to be a company that can help to improve customers' productivity and other issues.

To do so, it is vital that we expand beyond initiatives where we are going it alone to cooperate with outside organizations. Over the last ten years, in addition to our M&As and investment in start-ups, more recently we have been focusing our energies on encouraging innovation, such as by investing in start-ups in the U.S.'s Silicon Valley with those strengths in AI or in battery development start-ups. Going forward, it is also important for us to focus on regional specifics, so by investing in things that benefit that region, we will encourage the reforms we need to shift to an operation structure that allows us to respond to globalization.

In January 2024, we exhibited for the first time at the Consumer Electronics Show (CES), which was held in Las Vegas, in the U.S. In this day and age, when collaboration must straddle different industries, we expect that attending such trade exhibitions will help us with open innovation with companies that possess AI and other cutting-edge IT technologies.

Accelerating the pace of operation structure reforms

This is something I also mentioned in my message last year, but I really do think we need to build a truly global management structure. Delays in decision-making and operational inefficiencies are inevitable if a conventional Japanese style operation is carried on, such as a Japanese manager is appointed to bases in each region to act a director there. To prevent this, we are coming at it from two directions: having local leaders run operations (as we now

see at Escorts Kubota Ltd.) while also having our Japanese managers learn about global ways of thinking and smooth communication to achieve efficient operations suited to the situation on the ground in each country.

To train and appoint human resources with global perspectives, in 2023 we invited 40 local leaders, mostly from Europe and North America, to Japan, where we deliberated the ideal vision for corporate management. In addition, a HR director from North America has stationed at our head office in Japan, working to encourage collaboration across regional boundaries. Diversity & inclusion is also the point we are firmly working on from a medium- to long-term perspective, and we will try to foster a corporate culture befitting the times.

During our efforts to develop market-oriented activities that closely provide to customers and dealers, all employees from R&D, production, sales, and indirect divisions have joined together—a true example of One Kubota—and taken on various challenges. In 2024, we are launching numerous new innovation projects, and we hope to speed up reforms to our business operation structure.

Going back to 2022, we established Kubota Global Institute of Technology (KGIT) to promote cooperation between our global R&D system and to strengthen product development and the development of forefront technologies. With the institute, we have brought together various product engineering departments, but also the fundamental technology departments that carry out research and analysis into materials, the quality assurance and procurement departments needed for advanced research into commercialization, and the development management and promotion departments that support all of the above. By doing so, we have put in place a structure that enables us to more quickly provide customers with products and solutions that offer even greater added-value. I really feel that it has encouraged better communication between researchers, and I hope to see further results in the form of new value and shorter lead times.

Looking to become a Global Major Brand but with a careful eye toward the future

In the medium to long term, the business environment will change as the world populations surpass the 8-billion mark, and the Kubota Group's role in helping to improve food yields will become more and more important. At the same time, there are fears that climate-related problems will get worse. We, at the Kubota Group, have to take this situation into account, and make it our mission to move forward with efforts to mechanize and smartify agriculture in order to resolve the varied issues facing developed and developing nations.

By promoting the spread of agricultural machinery such as basic function tractors in the Global South, in countries where high growth is expected like India or African nations, our role is to help resolve food issues in each region and improve the lives of all those who work in agriculture. We believe that in this regard, we can put to good use the experience we gained in opening up markets in Thailand and elsewhere in Southeast Asia. Addressing environmental and social issues through our business is an integral part of our heritage since the time of our founding and holds an unshakeable position in our efforts to achieve sustainable growth as a global company.

As part of the work that we are doing to smartify agriculture, we are rolling out the Kubota Smart Agri System (KSAS), which supports farm operations and service to help resolve issues that come up during farm management, and so far, more than 20,000 farmers in Japan are using the system. In the future, we hope it will support more farmers as a farm management platform and lead to greater revenue. We are also implementing initiatives with a focus on the future one after another, including through participation in trials aimed at accelerating the development of smart agriculture.

In the construction machinery market, the number of buildings being constructed is rising as urbanization advances and so demand for the compact construction machinery that we are so good at is set to expand. By 2030, the compact construction machinery market is forecast to grow to 3,000 billion yen, so we set ourselves the goal of revenue in the construction machinery business of 1,000 billion yen. As part of that, we aim to establish a production site in North America and to expand our product lineup there. For CTLs, which are keeping a good demand, we have found ourselves behind our competitors in the number of models we offer, and by expanding development and production sites in North America we will continue to increase our model lineup. Similarly in Thailand, where urbanization is also progressing, demand for compact construction machinery is growing and we are concentrating on sales.

In 2023, 45% of our total production was carried out outside Japan, and we will continue to develop systems that promote local production for local consumption in each region of the world and to speedily respond to each region's needs.

In the Water & Environment segment, there is a limited growth in demand in Japan, which accounts for more than

80% of revenue. As such, we need to expand renewal and maintenance businesses. One issue is that the number of personnel in public works able to maintain and repair water or sewage systems is dropping. Therefore, we need to make use of ICT and similar to ensure that maintenance, management and inspections are carried out efficiently. Kubota first began its development of cast iron water pipes in the 19th century as our founder realized the growing need for water facilities in light of the spread of water-borne diseases. The company was successful in mass-producing these, something that had previously proven very difficult in Japan of the time, and this made a significant contribution to the development of a modern water system. In more than 130 years since then, we have continued to polish our water and environment solutions. Now, as safe food supplies and securing water become more challenging, Kubota will once more help to make people's lives better.

In food, water, and the environment, one aspect that I have newly focused on is how we process waste. We are now working to resolve social issues by providing resource recycling solutions that make use of our strengths, such as the melting technologies we have gained through our processing of waste and treatment of sewage sludge. One example is the waste processing work we have been doing at the Futaba-machi Volume Reduction Facility in Fukushima Prefecture in Japan, and we have been highly commended for the processing techniques we use for irradiated waste. We predict that we can develop our resource recycling solutions business to be worth around 10 billion yen in the future.

To achieve a more sustainable society where we live in harmony with nature through links between food, water, and the environment, we have announced the Kubota Smart Village concept. This idea involves the foundation of a sustainable platform that can enable food production, distribution, and sales, as well as water purification and reuse, processing of waste, and recycling.

This also incorporates initiatives aimed at bringing about carbon neutrality. Each year, Japan produces around 1.12 billion tons of CO_2, and about 50 million tons of this comes from agriculture. Most of this is methane or nitrous oxide generated in the soil. We are working with universities and other entities to research technologies that can help to restrain these emissions. First, we are establishing the technology here in Japan, our home market, and we will then roll it out to countries such as India and Thailand that also have large areas of rice paddies.

A company that addresses social issues as One Kubota, and values employee engagement

Lastly, I will tell about human capital that is the most important element for an organization to achieve innovation. The results of our very first employee engagement survey did not reach my expected level, and so I have focused on improving engagement. As part of this, we have worked to organize the company where every single employee feels motivated and able to grow. For example, to create a culture of dialogue, we started holding town hall meetings to encourage communication, and to have a forum for management and younger employees to express their thoughts to each other.

As a child, I was very taken with comics such as "Astro Boy," and I dreamed of becoming a robotics scientist when I grew up. Today, my dream is slowly being realized in technologies such as automated operations for agricultural machinery. In the coming age, we will work to resolve social issues by creating new value, and a vital driving force behind this is the desire and dreams of each individual. For that reason, it is imperative that we are an organization where each employee has a dream and can pursue that in their work.

From now on, too, we will continue to value One Kubota and On Your Side within the Kubota Group, and alongside this, by collaboration with both people inside and outside the Group, we will earnestly address social issues and endeavor to provide the value that we alone can offer. It is greatly appreciated if we obtain our stakeholders' continued support in accompanying us on the path to the future.

Town hall meeting held at KGIT

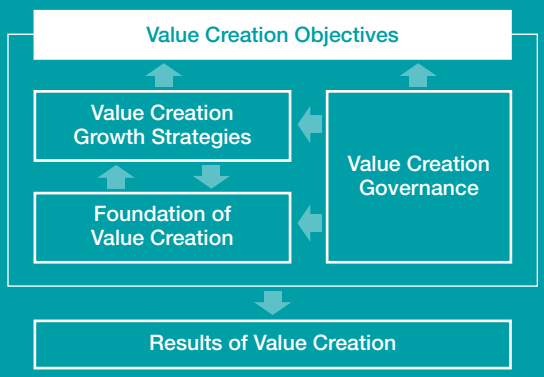
Chapter

01

Value Creation Objectives

Overview

In this chapter, we introduce the story of our value creation as we work toward 2030 with our continuing efforts to resolve social issues in the fields of food, water, and the environment. It also covers the path we have taken since our establishment, resolving those issues while simultaneously creating social and economic value, and our solutions that aim to bring about its Long-Term Vision "GMB2030."



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— Our products should not only be technically excellent, but also useful for the good of society.

— We should create products with all our heart and soul, and realize the commodity values of such products in correct definitions.

Corporate Principles

Kubota Global Identity

Spirits

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

Brand Statement

For Earth, For Life

Kubota

For Earth, For Life —
the Kubota Group promises to continue supporting the prosperous life of humans while protecting the environment of this beautiful earth.

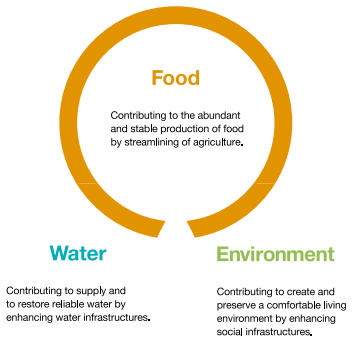
Mission

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

The world has many problems in the areas of food, water, and the environment, which are indispensable for human beings.
Those problems are not separate themes, but linked closely to each other.
The population growth has a great influence on environmental changes, brings problems to water resources, and leads to the short supply of food.
The Kubota Group considers food, water, and the environment as a singular theme and contributes to solve problems in these areas.

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

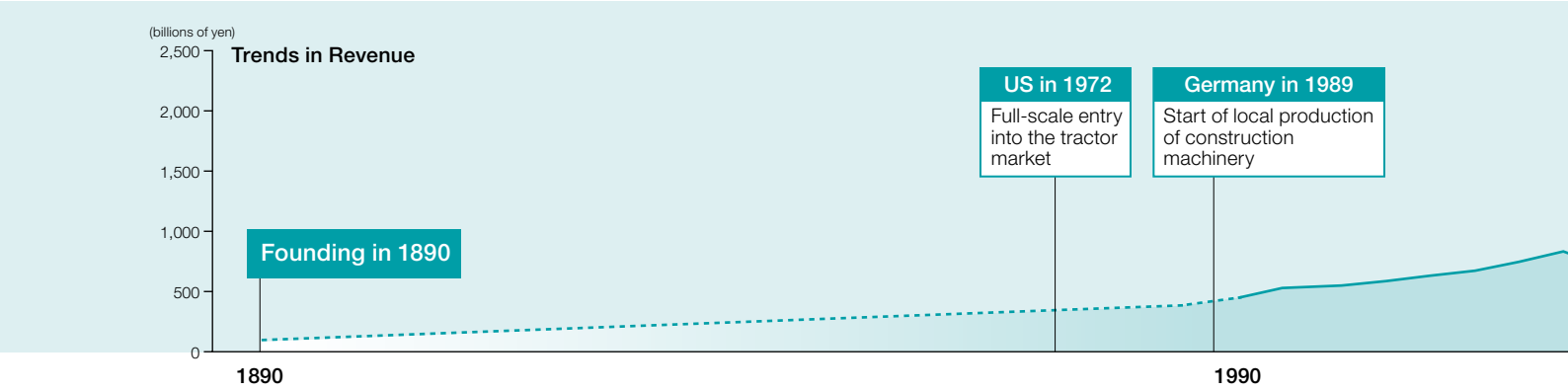
Food, water, and the environment are not separate themes, but linked closely to each other.



Kubota Global Loop

Journey of Solving Social Issues

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



1890–1950 From Kubota's founding to the chaos in society before and after the war	1951–1972 From rapid economic growth to an era of stability	1973–2009 From the age of low growth to an era of globalization
• Growing needs for water and sewage infrastructure with the rapid spread of waterborne infectious diseases • Rise of heavy industry • Growing needs for mechanization with post-war food shortages	• Growing needs for modern water and sewage infrastructure • Increasing demand for better urban infrastructure • Worsened water pollution and other environmental damage	• Growing needs for mechanization suited to each country or region • Greater demand for food due to increased population in developing countries • Accelerated overseas expansion due to the appreciation of the Japanese yen

Food

Developed the cultivator

Developed the tractor

Started manufacturing the original model of the modern rice transplanter

Started manufacturing implements in the U.S.

Started the combine harvester business in China

1947 · 1960 · 1968 · 1989 · 1998

Water

Started manufacturing iron pipes for water supply

Began manufacturing pumps, as well as centrifugal casting pipes

Completed Japan's first overseas water pipe project in Cambodia

Entered the environmental improvement business (water supply, sewage, etc.)

Actively expanded the overseas business for submerged membrane unit

1893 · 1952 · 1960 · 1962 · 2001

Environment

Started manufacturing oil-based engines for agro-industrial purposes

Started manufacturing mini excavators

Started manufacturing compact construction machinery in Germany

Contributed to the construction of Tokyo's Aqua-Line with steel pipe piles and steel pipe sheet piles

1922 · 1974 · 1989

India in 2022
Making of Escorts into a consolidated subsidiary

US in 2022
Start of production of compact track loaders in North America

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

China in 1998
Expansion of the combine harvester business

Thailand in 2009
Establishment of the first Japanese-owned tractor production plant

US in 2012
First installation of earthquake-resistant ductile iron pipes

US in 2016
Acquisition of GPM, an implement manufacturer

2000 2010 2015 2021 2022 (year)

2010–2016
Further global expansion

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

2017 and beyond
Building a more sustainable society

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

GMB 2030

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

Established the first Japanese-owned tractor production plant in Thailand

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

Acquired GPM, a U.S. implement manufacturer

Kubota
Escorts Kubota Limited
Made the Indian company Escorts a consolidated subsidiary

2009 2014 2016 2022

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

Constructed water treatment facilities in Myanmar

Developed the KSIS smart water infrastructure system using ICT

Developed WATARAS, a farm water management system

2012 2015 2017 2019

Began operating intermediate treatment facility for industrial waste in Kagawa Prefecture

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

Developed a construction machinery fault diagnosis app

Started manufacturing compact track loaders in North America

2003 2011 2020 2022

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

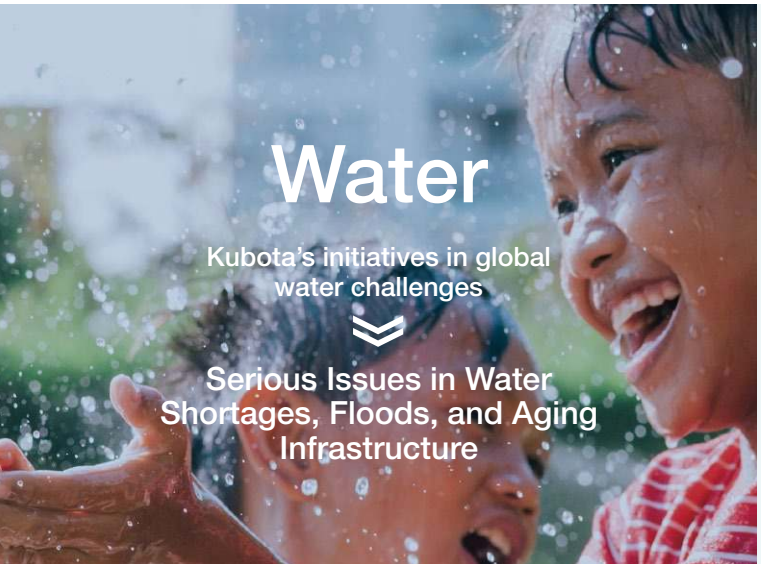
Since our founding, we have confronted the new social issues that have appeared in every age, discovering worksite needs in cooperation with stakeholders as we help to resolve those issues. Now, the world faces a number of issues in the fields of food, water, and the environment—fields that are indispensable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

Increasing Global Population and Demand for Food

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

A United Nations forecast states that, while in 2019 the global population was 8.0 billion, it will likely rise to 9.7 billion by 2050, and 10.4 billion by 2100.*1 Due to this population increase and further economic growth, in 2050 global food demand is predicted to be 1.7 times greater than in 2010.*2 Another report estimates that 783 million people — about one person in 11 globally — do not have enough food to eat.*3 One of the United Nations' Sustainable Development Goals (SDGs) calls for improved nutrition and the end to hunger throughout the world. This will require the promotion of sustainable agriculture on a global scale, with a reduction in food loss and waste.

*1. World Population Prospects 2022, United Nations
*2. Global Demand for Food in 2050 (September 2019), Japan's Ministry of Agriculture, Forestry and Fisheries
*3. The State of Food Security and Nutrition in the World 2023 (SOFI)



Not Enough Safe Water for the World's Population

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

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

*1. Progress on household drinking-water, sanitation and hygiene 2000–2022: Special focus on gender, Joint Monitoring Programme (JMP) promoted by the United National Children's Fund (UNICEF) and the World Health Organization (WHO)
*2. OECD Environmental Outlook to 2050 (2012), Organisation for Economic Co-operation and Development (OECD)

Rapid Urbanization: A Global Issue

Rapid urbanization boosts demand for better social and industrial infrastructure

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

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

Aging Farmers and Labor Shortage

A growing need for agricultural efficiency and higher productivity

Aging farming populations and labor shortages are worldwide issues in agriculture. In Japan, 1.78 million people*1 formed the core agricultural workers in 2012, but this dropped to 1.23 million in 2022.*2 Of the latter number, 0.86 million (about 70%) were age 65 or older.*2 The average age being 68.*2 The total number of people employed in agriculture is declining in many countries.*3 And yet, at the same time worldwide grain consumption is trending upward, due to a growing population in developing countries and rising income levels. Thus, with fewer workers and a greater need for more farmed land, the world is facing a growing demand for agricultural efficiency and better productivity.

*1. Survey on Agricultural Structure and Movement, Japan's Ministry of Agriculture, Forestry and Fisheries (2022 data)
*2. Agricultural Labor Statistics, Japan's Ministry of Agriculture, Forestry and Fisheries (2022 data)
*3. Employment in Agriculture, The World Bank (January 2021 data)

Global population

2019 **8.0** billion » 2050 **9.7** billion » 2100 **10.4** billion

Total no. of agricultural workers in Japan

2012 **1.78** million » 2022 **1.23** million

0.86 million aged 65+ Average age: **68**

Solutions to enhance the productivity and safety of food

Obsolescence: A Threat to Water Infrastructure

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

In developed countries, especially, aging of water infrastructure is a growing issue. Even in Japan, which enjoys a high water supply penetration rate of 98% (2021 statistic*1), most of them are pipelines laid during the country's period of high economic growth in 1950's and 1960's. This means that a growing percentage are surpassing their legislated 40 years of useful life. In North America and Europe, too, many water pipes are approaching their useful life, or are even older.*2 Aging water infrastructure runs the risk of leakage and associated problems; and the risk continues to grow. Tremendous damage may occur during an earthquake or other disaster, resulting in shutting down access to lifeline. As a safeguard, upgrades must be planned throughout the world.

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

Global water demand forecasts

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

Water pipelines beyond legal lifespan in Japan	Replaced water pipelines in Japan
2006 **6%** » 2016 **14.8%**	2006 **0.97%** » 2016 **0.75%**

Water infrastructure deterioration problems will increase, particularly in developed countries

Solutions to promote the circulation of water resources and wast

Heritage Cityscapes Conservation and Aging Challenges

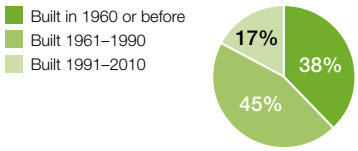
Historic cities require the replacement of obsolete infrastructure without damage to priceless heritage

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

Growing world's urban population

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

Age of buildings in Europe



Solutions to improve urban and living environments

Long-Term Vision “GMB2030”

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

Solutions to Enhance the Productivity and Safety of Food

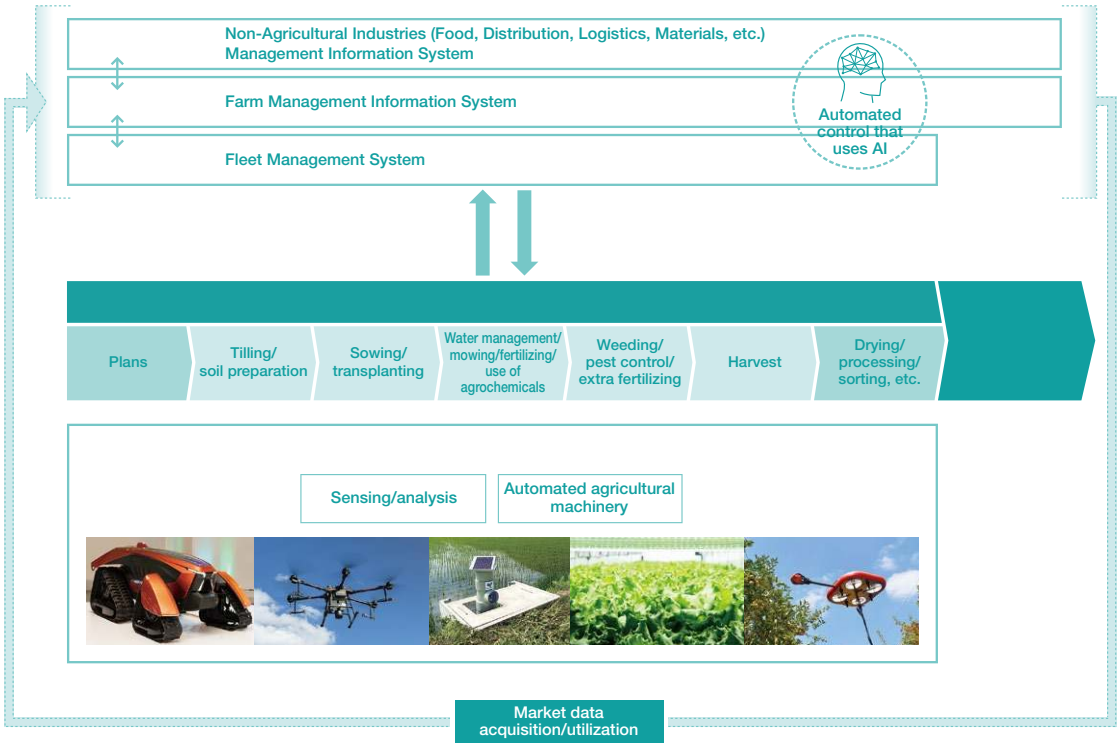
Through solutions that can improve food productivity and enhance its safety, we will accelerate our efforts toward smart agriculture.

The global food issues Kubota seeks to address

Predicted global food shortages and a decreasing number of agricultural workers

Global agriculture faces a range of issues, including food shortages and a shrinking farming population. To address these problems, we plan to develop autonomous and unmanned agricultural machinery as well as automated farm management system that utilizes AI to improve crop yields and quality, and so raise agricultural productivity.

By collaborating with the agricultural sector as well as other industries, we will create an open agri-platform and provide solutions for the entire food value chain. We will help create agricultural industries that are all appropriate for their regions and their times.

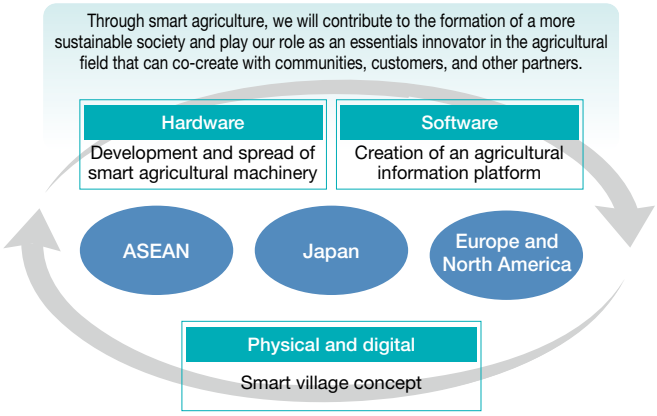


Kubota solution: promotion of smart agriculture

Within Japan, we have worked to make our cloud-based farm management system, Kubota Smart Agri System (KSAS), open source to steadily spread its functions, and we have had success in accumulating data. We plan to continue rolling out this efficient, sustainable service to even more farmers.

We have also come up with a "grand design," an overarching plan to promote smart agriculture around the world. We will develop smart agricultural machinery that caters to the diverse needs of Japan, Europe and North America, and the ASEAN region, and we will also accelerate our efforts to construct an agricultural information platform. In the markets for specialty crops, we are trialing automated work and making steady progress in other ways to strengthen our partnerships with start-ups.

Smart Agriculture Grand Design



Solutions to Promote the Circulation of Water Resources and Waste

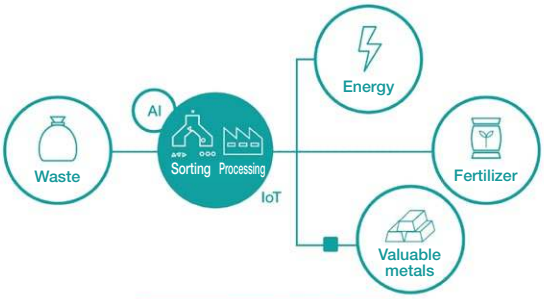
To promote greater recycling of water resources and waste, we are speeding up our efforts aimed at providing resource-recycling solutions.

The global water and waste issues Kubota seeks to address

Increasingly severe problems of water shortages and pollution, and deteriorating infrastructure

In line with efforts toward a circular economy where waste from economic activities becomes a resource, we will build a total solution for resource recovery and reproduction based on the recovery technology of phosphorus or valuable metals in combination with other companies' technologies.

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



Contributing to the achievement of a circular economy and carbon neutrality

Kubota solution: resource-recycling solutions

We are making progress with proposals that utilize our melting furnace technologies and recovery of phosphorus and methane gas, and we are making the final adjustments before commercialization. At present, we predict that the scale of the business will reach around 10 billion yen. Working with Terrarem Group, of which we hold a minority stake, we will continue to expand the potential of a resource-recycling business that uses melting technologies, and push ahead with efforts to recycle waste and construct societal systems to ensure greater recycling.

Environmental benefits: Recovered resources from various types of waste and power generation via recovered energy

Solutions to Improve Urban and Living Environments

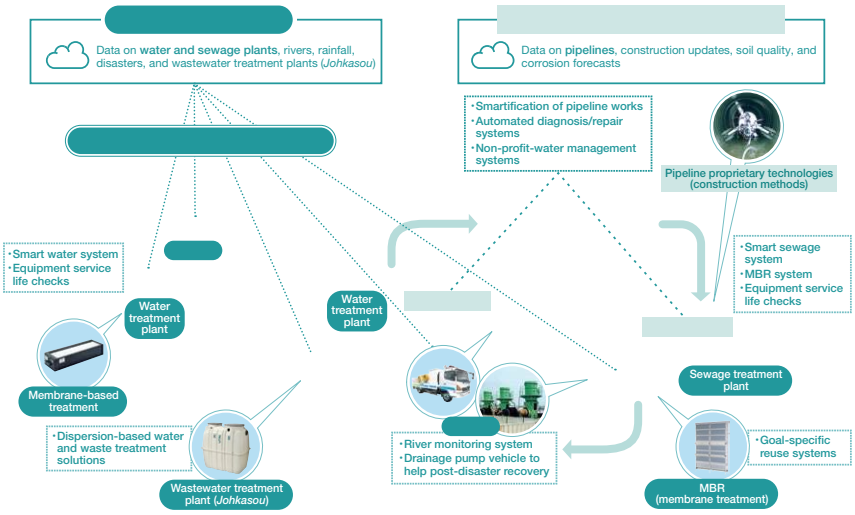
As a solution that can enhance urban and living environments, we are hard at work to create a water environment platform.

The global environmental issues Kubota seeks to address

Rapid urbanization due to growing populations and the deterioration of urban infrastructure

In developed countries in particular, responding to the aging of water supply and sewage treatment facilities, personnel shortages, and preparedness for natural disasters are urgent issues. In terms of the personnel shortages that are arising from a decrease in the number of workers in the water supply industry overall, in the water supply field the public-private partnership market is forecast to rapidly expand from 2030 onward, and is predicted to be worth 500 billion yen by 2040.

As a water specialist that has continued to refine its skills for more than 130 years, we put in place efficient facility management platforms that allow remote observation, diagnosis, and control of water environment equipment using IoT-linked systems. Also, through linking these with products and services that are resilient to earthquakes and other disasters as well as our construction machinery products, we are contributing to safe, secure, and sustainable infrastructure.

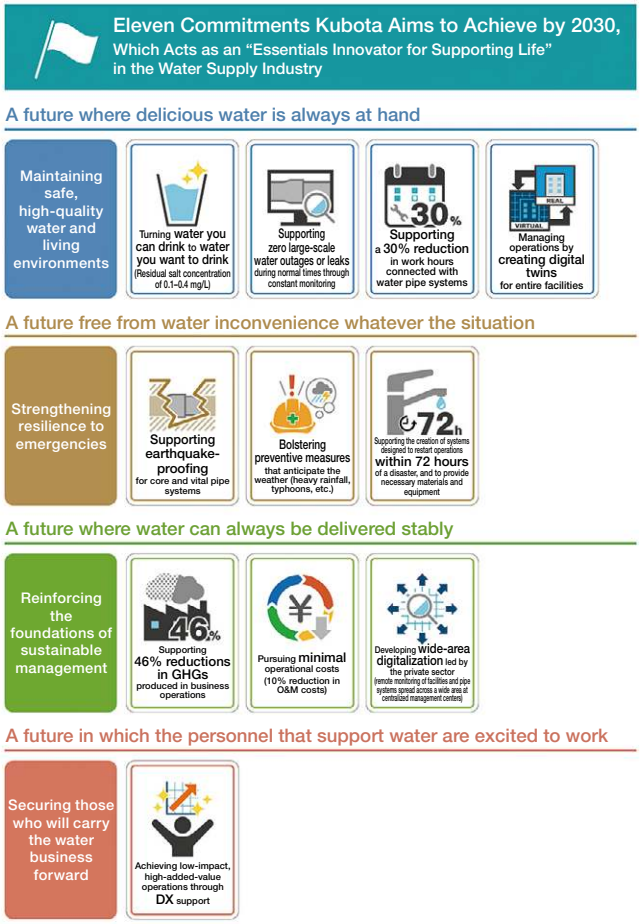


Environmental benefits: Optimal operations promote energy-savings and higher resilience

Kubota solution: Water environment platform to raise the resilience of urban infrastructure

To create our water environment platform, we developed a separate platform, KSIS Blue Front, that makes operations, maintenance, and management at water and sewage facilities more efficient, and we expanded the functions of our KSIS Pipeful water pipeline platform. We have also started providing the Japan-first service that utilizes DX for water works schematics and to create various documents. Additionally, utilizing the mass of data and expertise we have accumulated about water pipes and soil over many years, as well as AI, we are steadily evolving so that now we can carry out deterioration checks and run simulations into the probability of future leaks. We are also moving forward with linking to our construction machinery products.

We will continue to expand KSIS and to accelerate initiatives aimed at achieving the 11 commitments for 2030 that we announced.



Value Creation Process

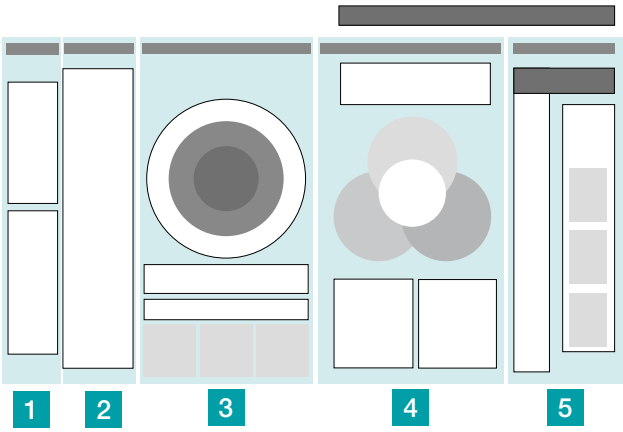
We create value in terms of both economic value and social value, by making efficient and effective use of management capital to solve environmental and social issues by providing solutions in the fields of food, water, and the environment. By providing these solutions, we will become an indispensable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

Overview of the Value Creation Process

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

Overall Structure

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



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

Management Capital/Input

Financial capital

Our financial structure is a hybrid of our manufacturing and service business and our retail financing business. The first is virtually debt-free, while the latter aims to be self-sufficient (by turning loan claims into securities), which means that, overall, we have a sound financial base. Under Mid-Term Business Plan 2025, we have targeted net cash provided by operating activities of ¥880.0 billion (cumulative total of 5 years). Realizing this would allow us to steadily implement our growth strategies and maintain that financial soundness.

Human capital

Under the spirit of our founder and our corporate principles, our over 50,000 employees are working to create value by solving environmental and social issues. With our K-ESG management, we consider diverse values and employee growth and job satisfaction as materiality, and by helping individuals to demonstrate their abilities and maximizing the organization's performance, we will accelerate our resolution of those issues and our value creation.

Intellectual capital

Alongside the technologies and expertise that we have accrued over a history that stretches back more than 130 years, we also possess R&D sites around the world, first and foremost the Kubota Global Institute of Technology, which opened in 2022. Using these, we are working in each region to create innovation to solve the issues we have discovered as part of our "On Your Side" approach. As part of Mid-Term Business Plan 2025, we have planned to invest ¥500.0 billion in R&D and with this we will expand our intellectual capital, and use that capital toward innovation creation and problem-solving to create value.

Manufacturing capital

In order to reduce lead times, among other goals, we have established production sites in areas all over the world. At the same time, sharing the Kubota Production System (KPS), which forms our fundamental approach and perspective toward the products at the heart of our manufacturing, will thoroughly eliminate waste of work and strengthen the entire supply chain. Mid-Term Business Plan 2025 includes a planned ¥600.0 billion in capital expenditures, and with this investment we will put in place the infrastructure we need to support sustainable growth.

Social capital

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

Natural capital

Given that food, water, and the environment are our business domains, we have a deep connection to nature. Therefore, we carry out environmental management that conserves the environment that is the foundation of our business activities, while also pursuing business growth. To realize our Environmental Vision—our target situation toward 2050 from an environmental perspective—we will systematically endeavor toward carbon neutrality and resource recycling.

Business Processes

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

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

Output & Outcomes

Output

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

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

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

Outcomes

As an "Essentials Innovator for Supporting Life," that is committed to a prosperous society and cycle of nature, through efforts in the three business areas of food, water, and the environment, we will carry out the initiatives below in order to help solve social issues.

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

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

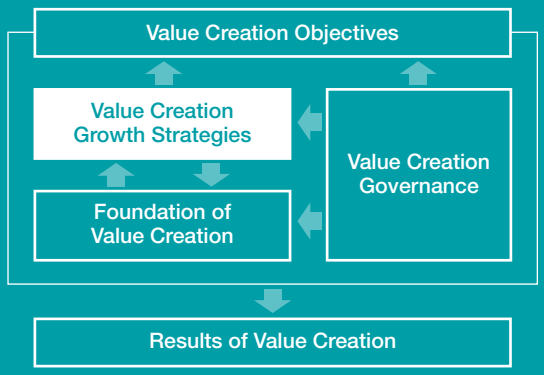
Chapter

02

Value Creation Growth Strategies

Overview

In this chapter, we look at the value that we have created and future social issues to give an overarching view of management strategies from medium- and long-term perspectives, and their progress. It also gives an overview of our K-ESG management that promotes sustainable growth on both the business and ESG fronts as well as its implementation strategies through the messages from responsible directors for departments such as finance, human capital, and R&D. This chapter also contains risk management in our business activities.



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100%
50%
100%

Progress of Mid-Term Business Plan 2025

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

Outline of Mid-Term Business Plan 2025

Initiatives of enhancement in business area

2 Establishment of the foundation for realizing our Long-Term Vision "GMB2030" that supports the next generation
Initiatives to secure candidates of growth drivers for the next generation

3 Expansion of revenue in existing businesses
Promotion of business strategies that take advantage of growth opportunities

4 Improvement of profit margin
Improvement of profit structure by strengthening the business foundation in the mid-term

1 Promotion of ESG management

Development of business operations that shift ESG to the core of management

As a company that engages in reducing environmental impacts and solving social issues through business, Kubota promotes its own unique ESG management. Toward the emphatic and urgent implementation of this management approach, ESG Management Strategy Meeting is established under the direct control of the President, and ESG will be recognized as the basis for decision-making on future business development.

Initiatives related to business operations

5 Development of infrastructure that supports sustainable growth
Reform of a business operation structure
Initiatives to secure and strengthen human resources
Strengthening risk management

Contributing to all five main themes
DX as a common theme

Financial Targets (as announced in February 2021)

Mid-Term Business Plan 2025 financial targets (PL) and FY2023 results

(billions of yen)

	FY2019 (Actual)	FY2025 (Target)	Increase/decrease from FY2019		FY2023 (Actual)
			Amount	%	
Revenue	1,920.0	2,300.0	+380.0	+19.8	3,020.7
Farm & Industrial Machinery	1,558.3	1,870.0	+311.7	+20.0	2,636.7
Water & Environment	330.1	400.0	+69.9	+21.2	364.5
Other	31.6	30.0	-1.6	-5.1	19.5
Operating profit	10.5% 201.7	13.0% 300.0	+98.3	+48.7	10.9% 328.8

Mid-Term Business Plan 2025 financial targets (Other) and FY2023 results

	2019 (Actual)	2021– 2025 (Target)	FY2023 (Actual)
ROE	10.7%	Maintain over 10% / over 11% in 2025	11.8%
Shareholder return ratio	42.7%	Set the mid-term target of over 40%, and aim at 50%	36.3%
Operating cash flow	82.4 billion yen	880.0 billion yen (cumulative total of 5 years)	-17.3 billion yen
Free cash flow	-12.4 billion yen	280.0 billion yen (cumulative total of 5 years)	-190.7 billion yen

Promoting Growth Drivers

North America Construction Machinery business

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

- Compact track loaders (CTLs): while steadily introducing CTLs in new horsepower ranges, production capacity has been enhanced in Japan and North America
- Mini excavators: promote rental business in North America and Europe, as well as develop brand new market in Thailand, and enhanced production capacity in Japan
- Skid steer loaders: the transfer of production bases to North America has been completed

Water & Environmental Solutions business

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

- Increasing pipe order related to Public Private Partnership
- Improving profit margin in line with price hike and increase of O&M business

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

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

- Progress has been made toward preparation to double market share through Kaizen activities, setting up a retail financing company, improving after-sales services, etc.
- There has been a steady increase in exports to Europe, and planning to export for North America, Asia, South America, and Africa
- Sourcing component for Kubota product from Escorts suppliers in stages from 2025, and progress has been made in mutual use of resources, such as optimization of product development themes in R&D and utilization of Indian engineering talent for global R&D

ASEAN Farm & Industrial Machinery business

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

- Good progress to develop dry-land farming market mainly in Thailand
- Political matter retarded expected Myanmar market
- Develop mid-size and high performance tractor market

Farm & Industrial Machinery After-market business

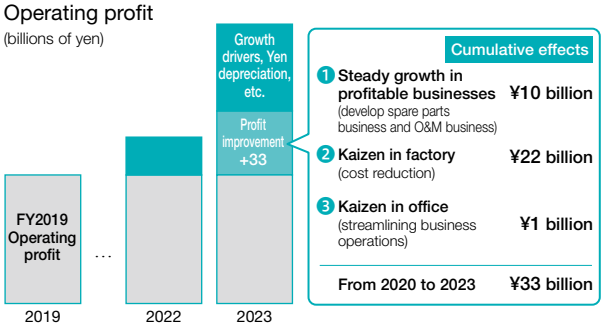
Aiming to expand "after-market business" by utilizing abundant operating machineries on a global level

- Revenue has steadily increased (parts revenue in 2023 were 75% higher than in 2019)
- Revenue ratio against machinery was not improved

Margin Improvement

Our striving came out in profit figures through progress to offset various cost increase by price hike

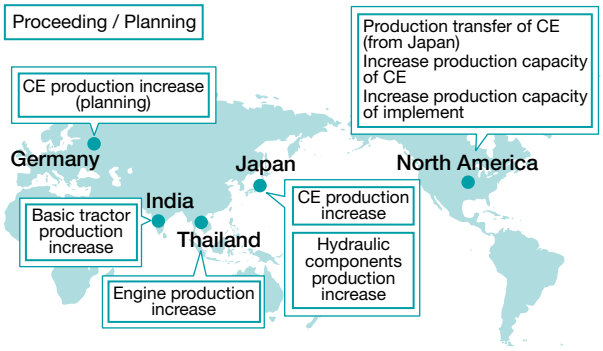
Operating profit
(billions of yen)



Enhancement of Company Structure

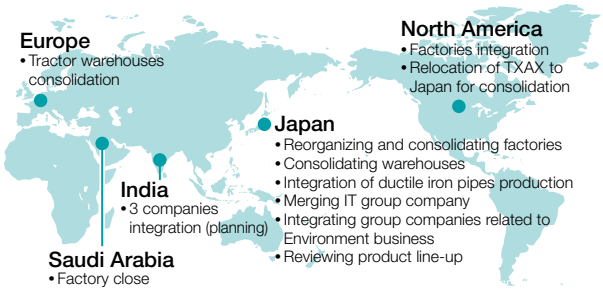
Production structure

- Transfer of production bases to meet our target of increasing the ratio of production conducted overseas to 50% in order to lessen the risk associated with concentrating production in Japan
- Planning to increase production of CE in North America and Tractor in India



Selection and concentration

- Integrated the production of ductile iron pipes with third party company (small-diameter pipe)
- Reduced logistics and assemble cost through warehouse consolidation



Progress of Mid-Term Business Plan 2025
DX

Using digital technologies, our goal is to resolve society's issues and raise customer satisfaction.

Hiroyuki Tanihara

Executive Officer
GM of Production Control Headquarters
GM of Global ICT Headquarters

Basic approach

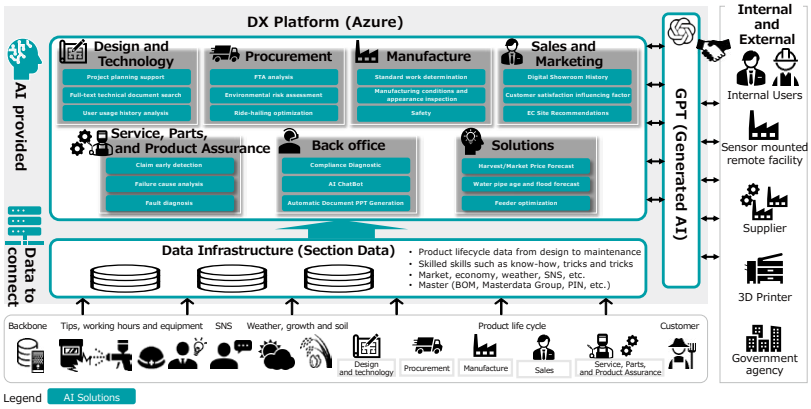
Digital Transformation (DX) is a fundamental pillar for realizing the objectives outlined in our Long-Term Vision "GMB2030." We are implementing reforms across three pivotal domains: product, service, and manufacturing site innovation; business process optimization; and enhancement of communication and collaboration. In the first of these, the culture of quality improvement activities using digital technologies has been fostered, and we have made it as far as the practical implementation stage. We are also working to establish a new solutions business founded on our KSAS and KSIS solutions. In business processes, meanwhile, we are making progress with efforts to reorganize processes with SAP S/4 as the core system, and we will put in place a structure that allows the centralized management of data globally. Finally, regarding communication and collaboration, we are committed to digitizing and optimizing the use of information to facilitate flexible workstyles unconstrained by traditional working hours or locations, and to foster stronger ties with external partners and local communities.

Advanced Data Infrastructure and Human Resources

We have developed a DX platform to act as a foundation for our efforts to achieve highly accurate work processes using data. The cloud technology of Microsoft Azure provides the basis for centralized storage and management of operational data from each organization, which allows information sharing across organizational boundaries, as well as data analysis using advanced AI technologies. We are committed to advancing these technologies, which are set to enable quicker and more precise decision-making, along with the discovery of fresh business opportunities.

Additionally, we are executing the Kubota DX-1000 program, which is designed to cultivate the requisite DX expertise within our workforce, essential for driving the reforms aligned with achieving our GMB2030 vision. By conducting workshops that explore a broad spectrum of DX initiatives, both internally and beyond our company, and by providing practical training programs aimed at addressing real-world operational issues, we are committed to nurturing a cadre of 1,000 employees with advanced DX proficiency throughout our organization by the end of 2024.

We offer AI that can link various types of data and provide a starting point for business creations and processing. Humans can then verify the AI's findings, or deal with matters the AI cannot understand or handle, for a world where humans and AI work together.



DX platform to provide advanced AI solutions

DX Examples

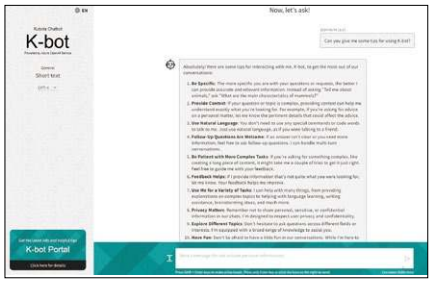
Manufacturing site DX that uses AI image-recognition models

At our manufacturing sites, we place great importance on operational standards, and strive to improve safety and quality. Using state-of-the-art image recognition AI, we can automatically detect abnormalities and we are working to reduce the risk of deviating from operational standards in terms of safety and quality. Through the same technologies, we are working on initiatives that visualize and quantify craftsmanship, to contribute to passing on techniques and having workers learn them faster, which will lead to higher-quality products.

Monitoring of dangerous work

K-bot, the in-house generative AI

To promote the safe use of generative AI by employees, in August 2023 we launched the ChatGPT service K-bot (a portmanteau of “Kubota” and “chatbot”) within the company. K-bot is used for applications such as explaining technical terms, technological surveys, programming coding support, translation, and idea brainstorming, with more than 60,000 interactions a month. We are also developing an operation-specific K-bot that has been taught using data from inside and outside Kubota, and are actively promoting it to support employees in achieving high-added-value operations. We will keep working on this, with the goal of even greater operational efficiency and productivity.



Cooperation with K-bot via two-way communications

Customer experience DX (sales and marketing) using 3D CG models

We provide digital content that recreates the REXIA GS tractor in high-resolution 3D computer graphics. Through this, agricultural managers can freely inspect details of our products (performance, specs, options, etc.) whenever and wherever they like. In the six months since we announced new products on YouTube Live in June 2023, a cumulative total of 18,000 views have been recorded, and the initiative has been highly praised. By strengthening these digital contact points for agricultural machinery, we are promoting DX in sales and marketing.

Checking tractor specs alongside highly detailed 3D CG models

Quality improvement using AI predictive models

We utilize AI and data analysis in our quality control processes. By scoring quality, setting up automated alerts, and visualizing multifaceted data such as failure trends and geographical or seasonal distribution, we quickly identify and promptly address quality issues to minimize their impact on customers. This approach is being implemented across various aspects of our business, including tractors, construction machinery, engines, and other equipment, and we are gradually expanding its application. By leveraging DX in this way, we aim to establish high quality standards throughout the company and provide reliable products.

The frontlines of DX, where “connections” are key

Tsubasa Sato
In charge of Kubota DX-1000
DX Planning & Promotion Dept.

Based on my motto “learning should be fun,” I am studying new digital technologies, and embarking on daily trial and error. Starting in the second year, I have worked on operating DX personnel training programs, proposing optimal programs for different issues depending on employees’ departments or roles, and I am committed to achieving my goal of 1,000 DX-skilled personnel.

In my private lives, I treasure time spent on hobbies or with my families, with childcare systems utilized for a better work-life balance.

K-ESG Management to Realize the Long-Term Vision "GMB2030"

K-ESG Management Initiatives

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

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

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

Materiality

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

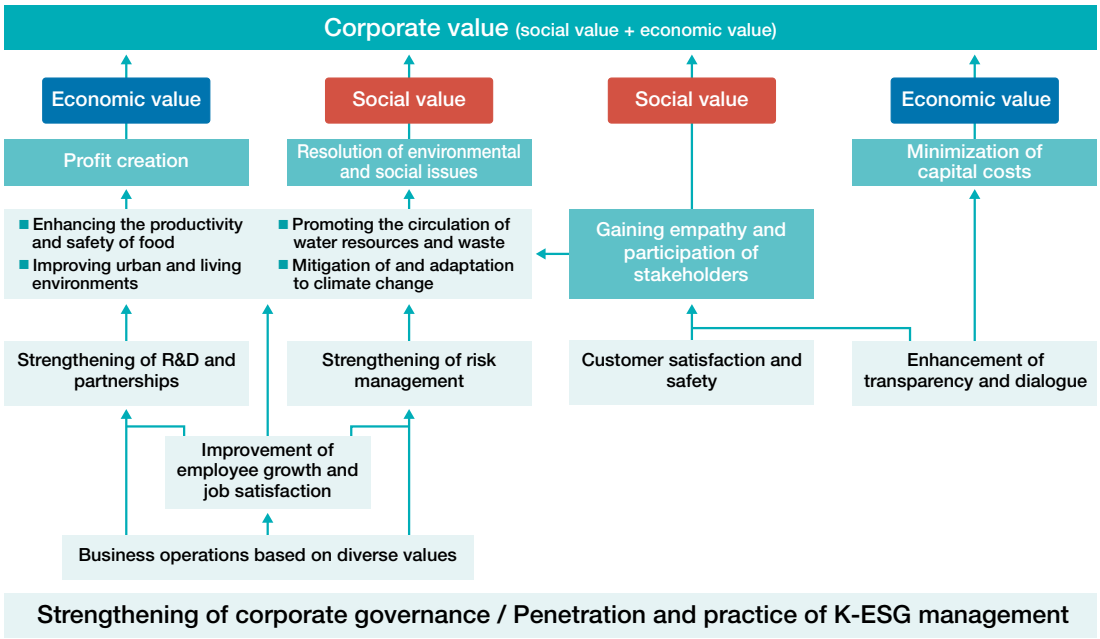
Materiality Identification Process

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

Established the ESG Management Strategy Meeting and the ESG Promotion Department under the direct control of the President
▶
Major departments in each field considered materiality, indicators, and numerical targets
▶
During exchanges with investors and shareholders, we provided explanations and received feedback and evaluations
▶
At the ESG Management Strategy Meeting, we reviewed the results and revised them at a company-wide level
▶
Decisions are made by the Board of Directors

Interrelationship Between Areas of Materiality and Corporate Value

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



Relationship Between ESG Indicators and Corporate Value

During analysis* of the relationship between ESG indicators related to our areas of materiality and corporate value, there were many instances that showed a positive correlation. We were therefore able to prove quantifiably that promoting K-ESG management boosts our corporate value.

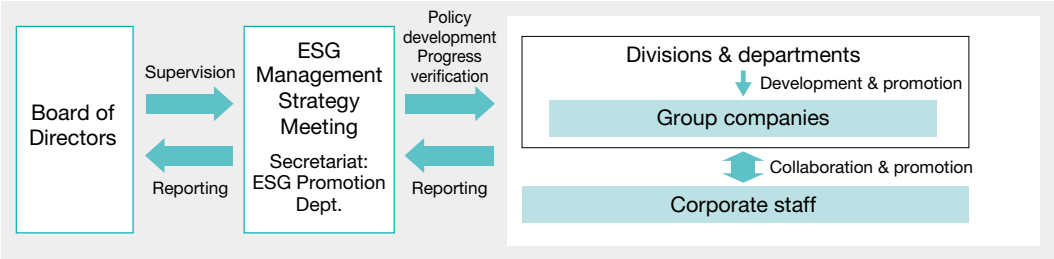
Examples where ESG indicators show a positive correlation with corporate value

- Proportion of employees who think positively of Kubota Global Identity and workplace culture
- CO_2 emissions
- Training expenses and number receiving training
- Water and energy usage

* This involved multiple regression analysis of each ESG indicator (+ ROE) and PBR to identify correlational relationships. These were deemed to be relationships proven to have a coefficient of determination adjusted for the degrees of freedom of 0.5 or above and a p value for the ESG indicator of 0.05 or below.
Analysis was carried out on the Digital ESG Platform developed by ABeam Consulting Ltd., based on a model developed by Ryohei Yanagi in his 2023 book *CFO Policy* (published by Chuokeizai-sha Holdings, Inc.)

K-ESG Management Promotion Framework

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



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

Materiality Objectives and Indicators

Materiality	Reason for its importance	Ultimate objectives
Enhancing the productivity and safety of food	Four megatrends that we are witnessing are: attempts to achieve both economic growth and resource recycling, moves toward net zero greenhouse gas emissions, efforts to create a society where the marginal cost of products is close to zero through recycling and sharing, and the formation of new small and medium-sized communities that are not obsessed only with global capitalism. In response to these, we believe that there are three roles that we should play: providing solutions to support infrastructure in the areas of food, water, and the environment; realizing the development of a sustainable society and a circulation loop of nature; and, contributing to resolving social issues in a variety of communities.	An "Essentials Innovator for Supporting Life," committed to a prosperous society and cycle of nature
Promoting the circulation of water resources and waste		
Improving urban and living environments		
Mitigation of and adaptation to climate change		Alongside the challenge to achieve zero environmental impact, we will contribute to realizing a carbon-neutral and resilient society in the fields of food, water, and the environment.
Business operations based on diverse values	Recognizing diverse values allows us to amplify our strengths and make up for our weaknesses, and will help us achieve a competitive advantage. By allowing our diverse employees to fully demonstrate their myriad abilities, we can create new value by responding to change and innovating, and this will also spur on business growth.	Our employment will be fair and will provide employees with equal opportunities, regardless of race, gender, nationality, age, or disability. On a global level, we will construct a positive, open culture where everyone can share their frank opinions, and put in place an environment where diverse employees can demonstrate their true capabilities.
Strengthening of R&D and partnerships	In recent years, the issues themselves have become more advanced and more complex. Solving those issues will therefore require us to further enhance our R&D capabilities. Furthermore, we can accelerate the speed of this process by bringing in new expertise through collaboration with business partners.	In order to foresee the ever-changing society and the issues that arise, and to proactively solve them, we can make better decisions. To enable this, we will take on board the latest expertise and opinions, embody them quickly and continuously in products and services that we can continue to offer society.
Improvement of employee growth and job satisfaction	To be able to realize sustainable growth, our organization must be energetic and capable of responding to changes in the business environment flexibly. For that to happen, employees must feel motivated and hungry to tackle the challenge. Job satisfaction can be realized by enabling them to feel they are growing, and that they are making a real contribution to society and their colleagues.	In order for employees to get a sense of their own growth and the contribution that they are making to society and to their colleagues, we will aspire to be an organization that has developed an appropriate culture, systems, and mechanism so that employees can be motivated and feel a desire to work.
Customer satisfaction and safety	By sticking close to our customers and picturing the future from their perspective, we will be able to discover issues at an early stage, and provide new value that exceed their expectations. Repeating this will lead to greater customer satisfaction, and to gaining their trust, which will allow us to make the greatest possible social contribution.	We aim not only to satisfy all our customers through our products and services, but also to impress them by exceeding their expectations.
Enhancement of transparency and dialogue	Highly transparent dialogues are linked to gaining the empathy and participation of employees, suppliers, and other stakeholders, which helps to support our business activities. A better understanding of the Kubota Group will enhance our corporate value.	By disclosing information on our corporate activities in a way that is highly transparent and appropriate, and through dialogue, we aim to provide stakeholders with an accurate understanding of its activities. This will help to gain their trust and empathy, and encourage more participation in our corporate activities.
Strengthening of corporate governance	Our highest management priority is to raise our overall corporate value, balancing long-term, stable economic value and social value. Therefore, it is necessary to achieve corporate governance that supports transparent, fair, prompt and decisive management.	Whatever the social landscape or the business environment we find ourselves in, we will continue to be a self-directed organization that can realize sustainable growth. To that end, our aim is to construct a governance system that has both auditing and executive functions that help to improve the quality of both, to achieve that permanence.
Penetration and practice of K-ESG management	Sharing common values and codes of conduct among the global Kubota Group will allow us to attain "One Kubota," as well as business development. This will then support our efforts to solve environmental and social issues.	Every executive and employee in the Kubota Group understands our corporate principles, our vision, and our K-ESG government, and will work under our "One Kubota" approach to solve environmental and social issues.
Strengthening of risk management	Changes to the social landscape or the business environment are becoming more severe with every passing year, and risks are becoming ever-more diverse. A response to risks that is speedier and more effective than ever is indispensable in our quest to create sustainable corporate value.	We update our list of risks as they appear due to advances over time or changes to the social landscape or business environment and work to control them. We also possess the high-level capabilities to respond to crises, should they occur. Around the world, we will roll out the systems and mechanisms that allow us to do this, so that we can make decisions, and respond, swiftly.

Indicators	Medium- and long-term targets	FY2023 results/topics
• Progress of smart agriculture and other new solutions	To be disclosed	• Expanded our smart agriculture-related services (e.g. opened KSAS Marketplace, launched the retrofit unit KSAS Simple Connect). • Promoted demonstration tests, etc., of automated operations in overseas specialty crop markets.
• Progress of resource recovery and other new solutions	To be disclosed	• Made progress with proposals based on our melting furnace and phosphorus and methane gas recovery technologies, and took further steps toward commercialization.
• Progress of water environment platform and other new solutions	To be disclosed	• Announced KSIS Blue Front, a platform to make O&M in water and sewage facilities more efficient, and KSIS Pipeful, a platform for water pipelines.
• Emissions in Scopes 1, 2, and 3	• Scopes 1 and 2: 50% reduction from 2014 levels • Scope 3: To be disclosed (each to be achieved by 2030)	• Scope 1 and 2: 28.0% reduction compared to 2014 levels • Continued to promote energy savings, electrification of furnaces, and expanded use of renewable energy, etc.
• Progress on diversity among executive officers • Proportion of female managers	• Proportion of foreign executive officers: 10% (by 2025) • Proportion of female managers (non-consolidated): 7% (by 2030)	• Proportion of foreign executive officers: 7% (as of March 22, 2024) • Proportion of female managers (non-consolidated): 4.6% (as of January 1, 2024) • Implemented measures to raise psychological safety, such as by dropping hierarchical patterns of address
• Patent Asset Index (total value of patent portfolio)	• 12.5% increase compared to 2020 (by 2025)	• Launched unmanned, automated combine harvesters, for a complete line-up of unmanned, automated models for our big three of tractors, rice transplanters, and combine harvesters. • Invested in two start-ups, and participated in two joint R&D projects with academic research institutions.
• Employee engagement score • DX personnel	• Employee engagement score: 70 (by 2030) • DX personnel: 1,000 (by 2024)	• Employee engagement score (non-consolidated): 52 • DX personnel: 936 • Fostered a culture of taking on challenges and growth through 1-on-1 meetings with executives from business and indirect divisions • Promoted DX for tasks, and introduced and utilized in-house AI tools.
• Customer satisfaction	To be disclosed	• Pressed ahead with improvement activities based on customer questionnaires, and maintained customer satisfaction evaluations (in Japan and North America)
• External institution rating	• Acquire the highest possible rating from a major external ratings agency (by 2025)	• Acquired a AAA rating, the highest level, from MSCI ESG
• Effectiveness of the Board of Directors	• Strengthened functions of both the monitoring side and executive side as well as reinforcing periodic confirmation functions of the corporate governance system.	• Held discussions between members of the Board of Directors about the board's roles and operations to organize how we can clarify the ideal vision for the Board of Directors.
• Penetration of the corporate principles and vision among employees	• Penetration score: 75 (by 2025)	• Penetration score: 44 • Analyzed and quantified the relationship between ESG/ non-financial activities and corporate value (see Relationship Between ESG Indicators and Corporate Value on p. 35).
• Progress toward the creation of a risk management system	• Construct a global risk management system and implement due diligence (by 2025)	• Moved forward with risks assessments, and identified risks requiring priority efforts in economic security and human rights. • Formulated human rights policies, implemented risk assessments, and prepared to expand supplier surveys.

* Indicators for "Strengthening of R&D and partnerships" have been amended in line with a materiality review.

Financial Capital: Message from the Director in Charge of Finance

Focus on cash recovery by accelerating return on invested capital

Masato Yoshikawa

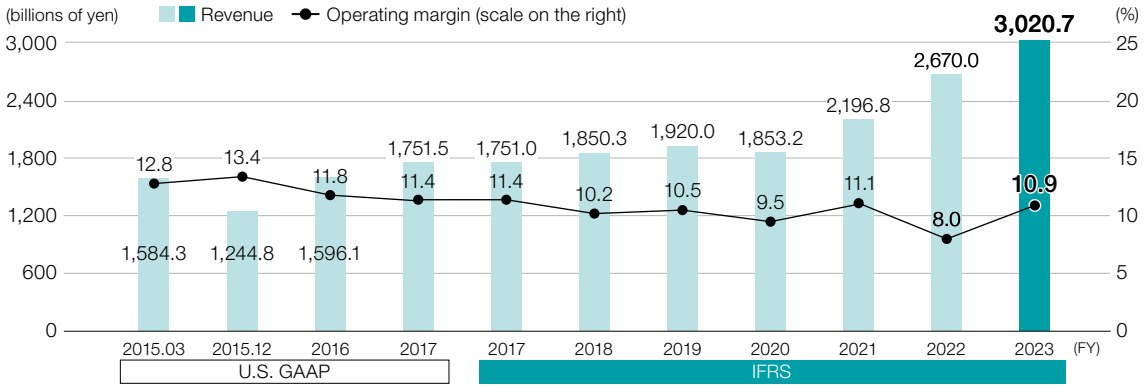
Executive Vice President and Representative Director
General Manager of Planning and Control Headquarters

Improvement of Operating Margin

With regard to the progress of the "Mid-Term Business Plan 2025," although the pandemic disrupted our business operations and slowed the improvement of profit margins, earnings growth has recently gained momentum. Our revenue is increasing significantly, but we need to discount the effect of the yen's depreciation. Having said that, our solid measures, including the penetration of price increases, are pushing up revenue.

While operating profit is growing at a record high, operating margin remained at 11% on a year-on-year basis even in fiscal 2023, when improvements were made, failing to reach the mid-term business plan target of 13%. Although achievement of the target is expected to be delayed than initially planned due to the adverse market, which has recently become increasingly uncertain with Japan's entering full-fledged inflation and heightened geopolitical risks worldwide, we will first aim to achieve 360 billion yen of operating profit and operating margin of 12% in 2025.

Trends in revenue and operating margin



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

As a financial issue, while we have solidly built up revenue and operating profit through up-front investment for business expansion, such as enhancement of production capacity and R&D amid growing demand, sufficient consideration has not always been given to operating margin and other indicators. Also, the fact that supply could not keep up with rapidly growing demand, which caused inefficient operation, was a factor behind lowered operating margin.

With the above in mind, we are fully aware that we must pay attention more than ever to minimizing the inventory of work-in-process in production, logistics efficiency promotion, early returns on investment in M&A and capital expenditures, and other business operations.

Enhancing Corporate Value and Strengthening Communication with Stakeholders

Looking at corporate value, our PBR is 1.15 times at the end of 2023; it seems undeniable that it is lower than that of our overseas competitors. Getting started with steady implementation of the Mid-Term Business Plan should be the first step toward enhanced corporate value. We believe it is important to achieve results in both revenue and profits for the future growth drivers, such as the construction machinery business and the basic tractor business centering around India, and this is what our stakeholders expect most from us.

In the age to come, along with pursuing economic value, it is essential for a company to diligently seek social value to enhance its corporate value. In this context, we must aim to become a company that earns respect not only from its shareholders and investors but also from all stakeholders, including customers, employees, business partners, and local communities. The Kubota Group aspires to become a company that is trusted and valued by all stakeholders by delivering the message that “We will work to resolve social issues as a business,” and by creating a virtuous cycle in which we grow our business jointly with those who participate in our business and return profits to them.

In this regard, for example, we have built good business partnerships with North American dealers over the years, as long as half a century in some cases. Going forward, we will consider how we can further promote engagement with stakeholders inside and outside Japan. Now that overseas revenue accounts for more than 80% of our overall revenue, it is more important than ever to listen to our overseas stakeholders.

Stable Fund Procurement and Financial Discipline That Enable Aggressive Growth Investment

We will continue to expand our business based on the Mid-Term Business Plan while strictly observing financial discipline. As we announced in the Integrated Report 2023, with the global expansion of our business, we need to steadily bolster our production capacity for tractors, construction machinery, and other products. Given increasing capital expenditures, which include the review of our production layout in Japan and overseas, stable fund procurement is essential. As for M&A activities, we do not have a major project on hand like Indian company Escorts Limited (currently, Escorts Kubota Limited), which we acquired two years ago, but we need to secure flexibility to make the necessary investments when needed.

To this end, our basic policy is to observe financial discipline, reduce interest-bearing debt, and generate free cash flow (hereinafter, “FCF”) through our business. Naturally, maintaining financial discipline backed by our highly credible bond rating will also result in ensured availability and lower cost of fund procurement.

Conversely, in the event that our financial discipline is relaxed, there also might be a risk that shareholders and investors will not hold our shares over the long term. On this point, it is vital for us to develop a financial and capital strategy that allows us to make investments for future growth while maintaining financial discipline, as well as to generate operating revenue and return it to shareholders.

Turning FCF Positive Early

Our major financial goal for fiscal 2024 is to turn FCF positive. For the past three years, FCF has been negative, with a cumulative total of negative 550 billion yen for the period. Our goal is to break out of this situation and restore profitability on a single fiscal year basis. We will improve our operating cash flow by securing operating profit and controlling inventories.

There is a deep sense of uncertainty in global market, including the flagship North American market, and making prompt production

Financial Capital

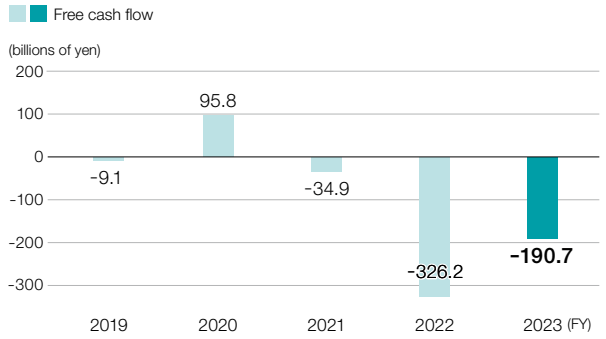
and inventory adjustments depending on the market conditions is important. Meanwhile, the North American market encompasses a variety of products such as tractors and other farming equipment, riding mowers, utility vehicles, and construction machinery, and therefore customers in the region are diversified and there are different demand cycles for different products. This can minimize revenue fluctuations caused by the external environment.

We will also put effort more than ever into financial controls, including working capital. In particular, we will need to thoroughly manage dealer inventory in our North American business. Most of the interest-bearing debt is attributable to retail financing, but Kubota also provides wholesale financing to local dealers through accounts receivable, and when dealer inventory swells, our financial burden and interest-bearing debt increase as well. A certain level of dealer inventory is necessary for sales activities and it is not easy to reduce inventory. To reduce our financial burden, we will fine-tune our inventory more carefully than ever, for example, by not having dealers keep more inventory than necessary.

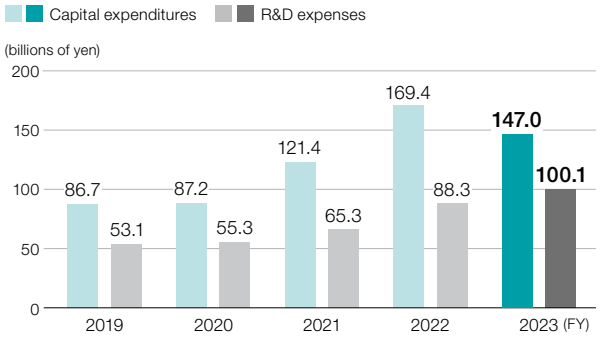
Regarding investing cash flow, we have increased R&D expenses as well as capital expenditures by several tens of billions of yen in recent years, and R&D expenses reached an amount exceeding 100 billion yen in fiscal 2023. In line with our major investment theme, carbon neutrality, we have made considerable investments not only in battery-powered electrification but also in electrification using hydrogen fuel cells and engines that uses hydrogen, biofuels, and synthetic fuels as energy source. Moving forward, we intend to apply investment results to achieve early commercialization, build business, and put all our energy into increasing returns, while maintaining R&D expenses at the level of 100 billion yen.

Implementation of M&A will be considered as necessary. For the time being, we will focus on the development of Escorts Kubota Limited in India to generate profits through cooperation with local people.

Trends in free cash flows



Trends in capital expenditures and R&D expenses



Improvement through ROIC Control and Strengthening the Solutions Business

We have been moving ahead with ROIC-oriented financial and capital strategy for the past several years. We have had a history of valuing management based on the concept underlying it. In other words, we have been faithfully following the basics of the management of return on invested capital: making profits through our business, collecting accounts receivable early, reducing inventories, and recovering our capital expenditures in a short period of time to secure return on investment.

In controlling ROIC, the key point is our view of retail financing, which has rapidly grown with the expansion of our North American business. Retail financing has a significant impact on ROIC, and there is an idea that it should be managed separately from the core business. However, for the North American business, retail financing is destined to be a tool for product sales and cannot be separated from the core business, and we believe that the indicator should be managed without excluding retail financing.

The ROIC perspective also influences the discussion on how Kubota's entire business should be operated. In achieving GMB2030, we aim to evolve into a solution provider. In addition to manufacturing and selling products, we are going to expand aftermarket business in the machinery segment and the O&M (Operation & Maintenance) business in the water and environment segment. These businesses do not have a large scale of revenue, but nevertheless are attractive because they are expected to generate stable sales, have high profit margins, and are more capital efficient than the manufacturing business. Shifting into higher gear as a solution provider heightens the ROIC of our business portfolio.

For ROIC improvement, we first need to increase profits through business expansion. We will then secure FCF, curb the increase in interest-bearing debt, and increase returns to shareholders.

Procurement Risk Management

Operating business in 120 countries around the world amid accelerated globalization, we recognize that management of accompanying risks is a critical issue. While reducing logistics costs is important, it is also inevitable to secure a product supply network that can respond to risks. As climate change and geopolitical risks become more visible, we are required to take measures such as securing multiple logistics routes.

At the Panama Canal, which connects the Pacific and Atlantic oceans, the recent drought has disrupted the passage of ships, and the company's efforts in diversifying distribution routes are paying off; this has resulted in restrained rises in logistics costs.

In terms of parts procurement, from the perspective of reducing geopolitical risks in addition to cost advantages, we will put more effort into diversification of our procurement network, utilizing our relationship with Escorts Kubota Limited in India. In drawing up procurement and production layouts, we will give weight to flexible procurement strategies, such as diversifying suppliers for more stable production and securing safe stocks of parts procured from regions with geopolitical risks.

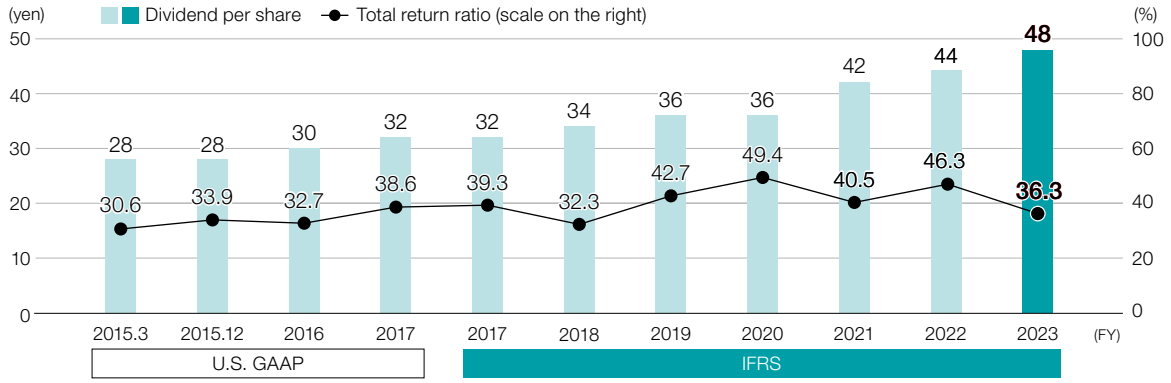
We implement these measures to mitigate risk and shorten lead time by promoting local production for local consumption. By doing so, we can quickly make modifications to our production plans when any risk emerges, thus enabling us to avoid foreign exchange and market fluctuation risks.

Shareholder Returns and the Future

Our first priority in increasing shareholder returns is to generate consistently positive FCF. For the past three years, we have not been able to return profits to shareholders as intended because of negative FCF. Our target total return ratio set in the Mid-Term Business Plan is to secure 40% or more and aim at 50%. We will make every effort to achieve this target.

Finally, new business themes for "GMB2030" are not yet ready for release, but some promising ideas are making steady progress below the surface. We hope we can inform you about new business developments by the end of 2025 or 2026. We will continue to seek both economic and social value as we move toward the future and strive to become a company that is highly recognized by a wide range of stakeholders. We look forward to your continued support.

Trends in dividend per share and shareholder return ratio



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

Actions to realize management conscious of capital cost and stock price

For these several years, we have been pursuing a financial and capital strategy that is conscious of Return on Invested Capital (ROIC) for the purpose of more properly managing capital efficiency, and have linked ROIC to a portion of executive remuneration. We have also set Return on Equity (ROE) as one of our management indicators, and are working to improve it toward the target of maintaining at least 10% throughout the 2021–2025 period and achieving at least 11% by 2025 as set forth in our "Mid-Term Business Plan 2025."

Human Capital

Human Capital Strategy

Background to our approach

- For the Kubota Group to achieve the goals of "GMB2030" as it moves forward, it has to expand its existing businesses. At the same time, though, it must also tie together the three fields of food, water, and the environment in order to offer proposals for measures to address social issues and then provide these solutions.
- Since its founding, the Kubota Group has sought human resources able to overcome obstacles to society's development, and its business operations are informed by important elements of its value system such as putting on-site needs first and maintaining the spirit of "On Your Side."
- In the future, its efforts will focus on expanding existing businesses and initiatives for new solutions businesses, and to this end the Kubota Group's will be emphasize these values and it believes that it must ensure that the three important concepts of ① Diversity, Equity, and Inclusion (DEI), ② Purpose, and the ③ Promotion of health & productivity management take root within the Group.

Basic approach

① **DEI (stronger organization)**

Diversity, Equity, and Inclusion (DEI) is about gathering and connecting a diverse range of human resources to create new value, and can be seen as a wellspring for innovation and sustainability. At the Kubota Group, we are developing a corporate culture with a focus on dialogue, and drawing out the individual capabilities of personnel is the key to achieving real DEI. Bringing this about will be linked to an area of materiality for us: business operations based on diverse values.

② **Purpose (individual growth)**

Every employee will need to take on the challenge of resolving issues in unknown fields, and so each must possess a strong purpose, and fully demonstrate their capabilities. This will be connected to another area of materiality: improvement of employee growth and job satisfaction.

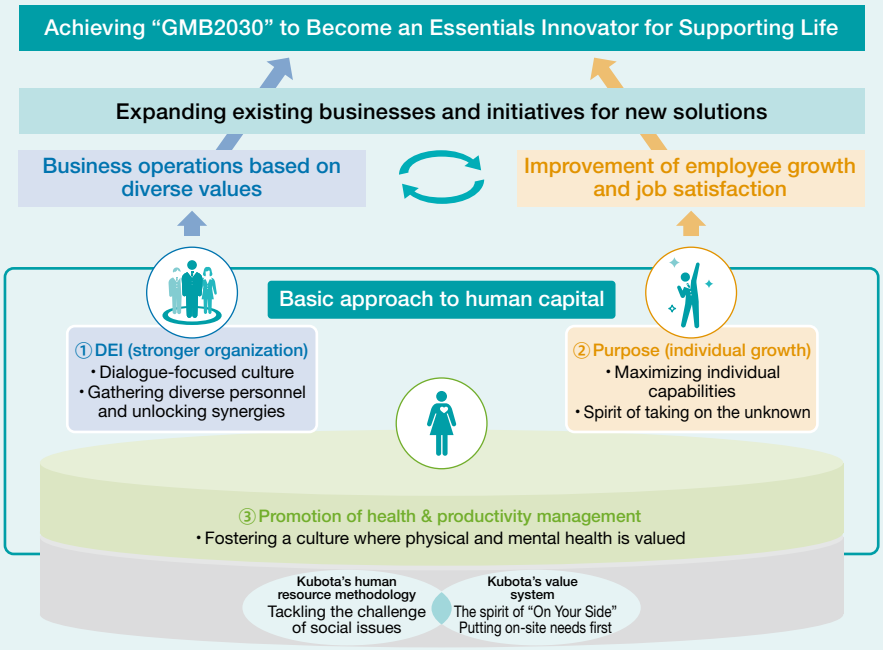
③ **Promotion of health & productivity management**

The Kubota Group will continue to create the solution that society needs, but to do so all of its employees—who are at the heart of its business activities—must be healthy in mind and body. If we can create workplaces where all employees are happy and motivated, we will maximize our organizational performance and support the foundations of our human capital.

The Value Creation Process in Human Capital

- The driving forces behind our efforts to use our business to resolve environmental and social issues are our strong, flexible organization and our diverse, independent personnel, and so the basis of our human capital strategy is strengthening these.

	Input	
Basic approach	**Strategies**	**Policy**
DEI (stronger organization) • Developing a corporate culture focused on dialogue • Gathering diverse human resources and unlocking synergies	Construction of a corporate culture that secures diverse personnel while respecting their individuality and that values dialogue to draw out the maximum potential of our human resources	Implementation of policies whereby managers meet team members one-on-one, and that promote mutual understanding and empathy for each other's purposes and ways of thinking
		Encouragement of creation and co-creation by gathering diverse human resources and as part of highly productive, flexible workstyles
Purpose (individual growth) • Maximizing individual capabilities • Developing an untiring spirit of taking on the unknown	Provision of opportunities for growth for human resources who have an appetite to take on challenges, by strategic and systematic investment in training	Discovery and training, strategically and systematically, of candidates for future management roles
		Proactive investment in human resources who have a real desire to take on challenges
	Support for independent career development that values the purpose each employee holds	Taking on board of the purpose that employees wish to follow in the business and their roles, and maximum support for independent career development
Promotion of health & productivity management • Fostering a culture where physical and mental health is value	Development of an effective investment cycle in human capital through data analysis based on a health and productivity management map	Increase in the number of employees who have the health literacy to see how health impacts them directly and to independently work to maintain and improve it



- We formulated strategies that are linked to our management strategies and that is based on human resource strategy perspectives (securing, training, utilizing, retaining human resources), etc.
  By setting our policies for each strategy, we have outlined the direction of our efforts as a corporate group.

Main initiatives	Output			Outcome	
• Promotion of engagement surveys • Strengthening of activities to spread management ideas • Continuation/expansion of town hall meetings	Materiality	Business operations based on diverse values	Expansion of existing businesses and initiatives for new solutions	An "Essentials Innovator for Supporting Life," Committed to a Prosperous Society and Cycle of Nature	Realizing "Global Major Brand Kubota"
• Active recruitment/training of female managers • Enhancement of global leader training (for non-Japanese managers) • Promotion of Kubota Smart Work					
• Enhancing training of management personnel		Improvement of employee growth and job satisfaction			
• Encouraging open recruitment for (voluntary) training					
• HR report reviews (My Purpose creation) • Promotion of career development training • Expansion of measures to support taking on career challenges					
• Strengthening of support for healthy behavior using ICT • Enhancing of health education for different age and position levels • Centralized management of physical and mental health data by updating health management systems • Strengthening of industrial insurance systems (systems to offer comprehensive physical and mental health)		Supporting of human capital			

Human Capital

[Human Capital Strategy ①] DEI (Stronger Organization): Business Operations Based on Diverse Values

Basic approach

Diversity, equity, and inclusion (DEI) is about gathering and connecting a diverse range of people to create new value, and can be seen as a wellspring for innovation and sustainability. The Kubota Group believes that developing a corporate culture with a focus on dialogue and drawing out the individual capabilities of personnel are the key to achieving real DEI.

❶ Strategies	❷ Policy
Construction of a corporate culture that secures diverse personnel while respecting their individuality and that values dialogue to draw out the maximum potential of our human resources	Implementation of policies whereby managers meet team members one-on-one, and that promote mutual understanding and empathy for each other's purposes and ways of thinking
	Encouragement of creation and co-creation by gathering diverse human resources and as part of highly productive, flexible workstyles

Connecting Policy to Strategies

❶ Strategies

The Kubota Group promotes diversity, equity, and inclusion (DEI) as a pillar of its human capital strategy. We recognize that people have different values and ways of thinking, and that maximizing varied individuality leads to innovation. Additionally, the promotion of diversity is also vital for the organization's sustainable, global growth. Kubota implements its DEI strategy on the basis of "dialogue." When diverse human resources actively engage in dialogue, varying opinions meet and new ideas are born, providing a new approach to how we deal with present issues. By developing a corporate culture that focuses on this type of dialogue to draw out the maximum value from our human resources, we will in turn ensure that individual capabilities, experiences, and approaches are recognized and enable individuals to better demonstrate their abilities than previously.

❷ Policy

Managers play a key part in bringing about such a dialogue-focused culture. Through one-on-one meetings and daily communications, managers can empathize with each team member's purpose, and offer them maximum support. This will boost individual employee engagement and draw out the value of our diverse human resources. In addition, to enable every employee—regardless of personal characteristics such as gender, nationality, age, level of experience, beliefs, etc.—to feel passionate about their work, we will put in place systems that make it easy for them to work and are suited to their individual circumstances. Through this and other methods, we will offer a place to work where diverse human resources can play an active role.

Main Personnel Measures Related to DEI (Stronger Organization)

In terms of employee engagement, we carry out workplace development workshops and introduce examples of best practice to promote independent organizational management and dialogue at each workplace, and our goal is to invigorate the organization and improve engagement.

Our use of messages from top management and town hall meetings that provide employees with a chance to voice their opinions to higher-ups has so far been limited to the president and a select number of other members of management, but now we are creating opportunities for greater dialogue with more employees by actively extending these initiatives to executives from each of the divisions. Moreover, to establish environments where our diverse human resources can demonstrate their capabilities, we proactively act to secure personnel such as female managers or non-Japanese executive officers. At the same time, through Kubota Smart Work, we will construct working environments that team members will find conducive to working.

Policy	Main personnel measures
Implementation of policies whereby managers meet team members one-on-one, and that promote mutual understanding and empathy for each other's purposes and ways of thinking	• Promotion of engagement surveys • Strengthening of activities to spread management ideas • Continuation/expansion of town hall meetings
Encouragement of creation and co-creation by gathering diverse human resources and as part of highly productive, flexible workstyles	• Active recruitment/training of female employees • Enhancement of global leader training (for non-Japanese managers) • Promotion of Kubota Smart Work

Main Personnel Measures Related to DEI

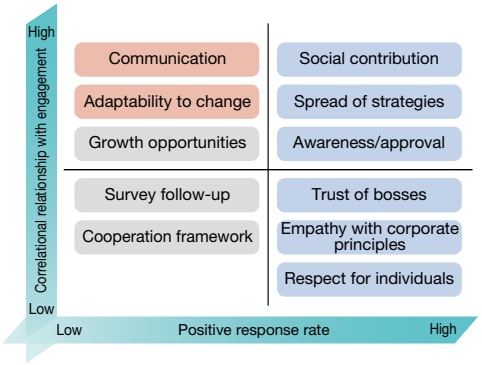
Promotion of Engagement Surveys

Grasping the level of employee engagement

To promote K-ESG management, it is imperative that employees put the corporate principles into action, and that we achieve the empathy and participation of stakeholders inside and outside Kubota. We are moving forward inside and outside Japan with efforts to create an organization where employees—those who will drive the promotion of K-ESG management—feel motivated to work, and find it easier to do so. As part of this, since November 2021, we have been carrying out engagement surveys. Each part of the organization works to address the issues that the surveys identify, and this helps us to evolve into a group where all employees want to work. In 2023, the scope of the survey was expanded to include Japanese and overseas subsidiaries, with around 21,500 respondents—three times as many as in 2021. Our aim is to improve employee engagement throughout the Group. Even as the scope of the survey has grown, engagement scores have also steadily risen, but the average score for the entire Group is 47%. We have set ourselves the goal of raising this to 70% by 2030, and this will require us speed up initiatives to improve engagement.

With our rolling out of survey results to each workplace, we have them consider themes that are strongly linked to the engagement indicator goals, and have them tie these into action. Plus, for each question, they compare their own results with those of other companies and those of the Kubota Group as a whole for a relative appraisal of their progress. As survey results vary by organization, there is a need to develop actions optimized to each, but two areas in which issues arose for Kubota overall were the scores for communications and responses to change. As such, from 2023 onward, to encourage greater dialogue within organizations and develop an organizational framework that is resilient to change, we are implementing organization development workshops (see p. 61 for more details), and aiming to invigorate the organization and improve engagement.

	FY2021	FY2022	FY2023
Entire Kubota Group	—	45%	47%
Non-consolidated (employees in general positions)	50%	51%	52%
Respondents	6,608	14,220	21,477

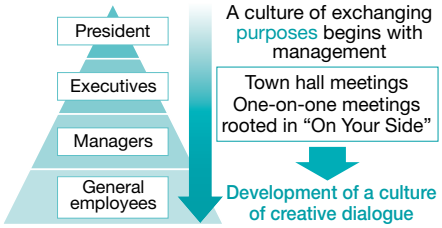


Dialogue Between Executives and Employees

Strengthening our ability to spread the purpose of management

We want to create a company where every employee feels motivated and able to grow, and recognize the value in management leading by setting an example and putting in its own words the importance of GMB2030 and K-ESG management.

Management is creating a culture of exchanging ideas, and through town hall meetings and one-on-one meetings rooted in the spirit of "On Your Side," it is forming purpose-based dialogue that incorporates ideas from top management. By developing a culture of creative dialogue that promotes this exchange of ideas, we aim to enhance empathy for GMB2030 and K-ESG management, create innovation, and links between people and organizations.



Town hall meetings

From the perspective of communications, to achieve the concept of "One Kubota," we are publicizing messages from the top management via video and in-house social media, to strengthen our internal communications. Part of this is our promotion since October 2021 of town hall meetings, mostly focused on the management team and new managers or younger employees. To develop the culture of creative dialogue, management and employees with strong purposes engage in direct dialogue and we believe this contributes to improving employee engagement. Now, executives and others also hold town hall meetings, and proactively implement dialogue with team members. Since 2023, town hall meetings have changed from being held online to being held face-to-face, and this has led to more effective dialogue by building relationships of trust between participants and strengthening a feeling of unity.

Town hall meetings with the president or vice president

	FY2021	FY2022	FY2023
Venue	Online		Face-to-face
Times held	6	25	12
Participants	100	400	180

Materials Business Unit town hall meeting

Town hall meeting between the vice president and general managers or above from overseas sites

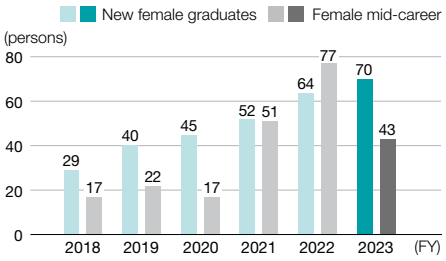
Human Capital

Active Recruitment/Women's Empowerment

Proactively recruiting women

Female participation is able to help secure greater diversity across our entire organization, promote innovation, and achieve sustainable growth, and as such since 2020 we have been active in our efforts to recruit more women. We are working to maintain our recruitment of almost 50% for female employees in general administrative positions and to raise the proportion of women in general technical positions from 12–13% to around 20%. Simultaneously, we will establish environments that go even further in making it easy for women to work and play active roles.

Number of hires (new graduates and mid-career)



Women's empowerment

In October 2023, we launched the Women's Employee Resource Group (WERG). This is an employee-led voluntary community group that encourages interaction and mutual support among female employees to ensure equality in the workplace.

WERG encourages female leaders to improve their career motivation and expand their perspectives through activities with members across organizational boundaries, and by building new connections. Additionally, by sharing their own experiences as leaders, they will inspire younger employees and support the development of potential future leaders.

We have also held women's empowerment forums with the aim of empowering female employees. During these forums, the president and other board members speak directly to female employees and emphasize the importance of women's empowerment in diversity management. Furthermore, these forums provide opportunities for female employees to positively consider their own careers and discover their own leadership style through speeches from role models in the group who are working globally.

Lunch meeting with core members

Future initiatives

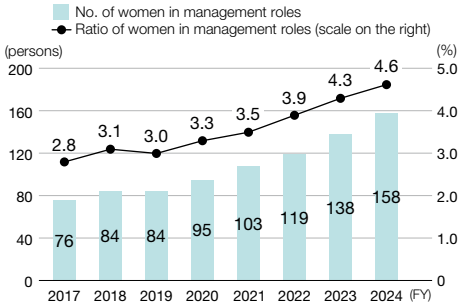
The ratio of women in management roles is increasing every year. We have implemented various initiatives to ensure career development regardless of gender and provide support for balancing work and family.

As we work toward achieving the goal of having women make up 7% of management positions by 2030, as included in GMB2030, we will continue to further strengthen our diversity management and work on activities to promote women's empowerment.

We aim to create a work environment where all employees feel they belong and can grow. We will foster a workplace where all employees can fully demonstrate their motivation and skills regardless of gender.

Women's empowerment forum

Trends in number of women in management roles



Comment by women's employee resource group initiator

Leslie Louden
Kubota North America Corporation
Human Resource director

At Kubota we are working on various initiatives to achieve the goals of GMB2030, and increasing diversity is the key to success in becoming a global company. Kubota has so much untapped talent that every effort that is put into promoting female leaders will play a significant role in improving diversity.

There are female employees at Kubota who have a strong desire to provide even more added-value to the company and who also have the desire to lead teams that will make a difference. I think it is very important that women provide support to each other to make this happen, and it is equally important that male employees support female leadership as well. Progress in these areas will encourage our further growth as a global company and create value.

The Kubota Women's Employee Resource Group will continue to promote this kind of support. It will still be a long road to develop gender equality at Kubota, but we are improving every year. We will continue to implement the initiatives we have put into practice so far as well as continue to evolve into a truly global company. What is important is not the data that tracks our efforts but it is our effort itself that truly counts, as well as understanding that the true spirit of "On Your Side" starts from within the company.

Training for Non-Japanese Management Personnel

Global Leader (GL) training

We believe that global management and utilizing human resources is a part of our business foundations that requires strengthening as we work toward "GMB2030."

Securing the personnel who will be responsible for our sustainable growth is how we will achieve diverse values and varying ways of working. To encourage business growth in different regions and globally in the future, in 2019 we introduced the common Global Leader (GL) program at our sites in Europe and North America, and appointed these non-Japanese global leaders within the management of our local subsidiaries. Our human resources are called on to make significant contributions to Kubota's growth, and to lead our global strategies into the future, and so personnel who show promise in these roles will be trained as GLs. We have been running GL training since 2022 as part of our efforts to develop global talent.

In fiscal 2023, we set up GL Project Teams, and began projects to encourage employees to actually take part in global projects. We also rolled these out throughout Asia with the goal of training leaders that can consider global management perspectives while also carrying out optimal decision-making for their own locations, and to produce large numbers of candidates for future management positions. Going forward, we will continue to use GL training to enhance the next generation of global talent, and raise the number of executive officers from outside Japan to 10% by 2025, so that we can strengthen our management systems to acquire a competitive advantage in global markets.

GL training opening session

Global competencies

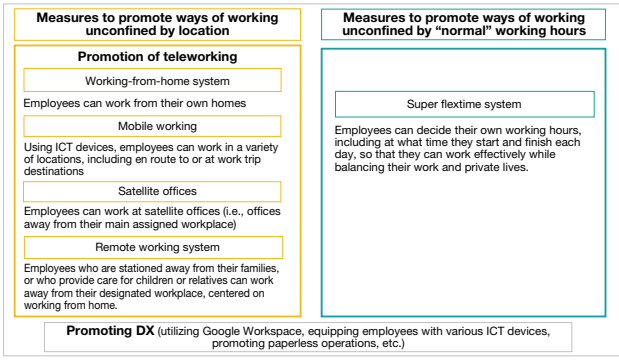
Aims of Global Leader training

1. To understand Kubota (history, vision, corporate principles, business strategies, unique traits)
   Lectures from the president and managers, and discussions that use original case studies
2. To broaden horizons to take in the region and the whole world, and to foster a sense of unity as One Kubota
   Group work with members from different sites and regions
3. To equip participants with the knowledge and motivation needed to be global leaders
   Training held at head office and messages from top management

Promotion of Kubota Smart Work

Measures to improve employees' work-life balance

The needs of working people are diversifying—as the working population decreases due to low birthrates and the aging of society and as people try to juggle working with looking after children or caring for others—and so how to raise productivity through investment and innovation and how to establish environments that expand opportunities to work or demonstrate sufficient desire and ability to work are becoming major issues. Considering the environment society finds itself in, Kubota works to make different ways of working and efficient ways of allocating time possible and to expand opportunities for working or for individuals to display their capabilities and desire to work. By doing so, we will tie these in to improving the productivity of our employees and enhancing their performance, while also boosting their motivation.



Measure	Details	Notes
Work-from-home system	Employees can work from home or a similar location, usually with a target of no more than three times a week	Scope: expert positions, staff positions, and technical positions Head-office workers working from home: approx. 35% (2023 average)
Mobile working	On their way to or from business meetings, employees can use ICT devices to work at locations where they can carry out their regular tasks safely and reliably (for example at a café where they have lunch between meetings, or at a hotel they are staying at for a business trip)	Scope: expert positions, staff positions, and technical positions
Satellite offices	Allows employees to work at satellite office space designated by Kubota for their own personal reasons	Scope: expert positions, staff positions, and technical positions Sites (3 head office locations, Tokyo, Hanshin, Shikoku)
Remote working system	Can be used by employees with spouses who are currently away or for those with family who require care. Employees can work anywhere in Japan if the distance from their home to their registered workplace involves a one-way bullet train journey of more than 200 km but where they can attend work using public transport from the closest station to their home to the closest station to their registered workplace in five hours or less	FY2021: Scope: Manager; Individuals: 4 FY2022: Scope: Manager/general positions; Individuals: 17 FY2023: Individuals: 27
Super flextime system	Employees can choose their own daily start and end times (without core working hours) and how many hours they work each day, matched to their set monthly total hours (core working hours apply in some cases)	Scope: expert positions, staff positions, and technical positions Coverage: planned Group-wide introduction during 2024

Human Capital

[Human Capital Strategy ②] Purpose (Individual Growth): Improvement of Employee Growth and Job Satisfaction

Basic approach

Every employee will need to take on the challenge of resolving issues in unknown fields, and so each must possess a strong purpose, and fully demonstrate their capabilities.

❶ Strategies	❷ Policy
Provision of opportunities for growth for human resources who have an appetite to take on challenges, by strategic and systematic investment in training	Discovery and training, strategically and systematically, of candidates for future management roles
	Proactive investment in human resources who have a real desire to take on challenges
Support for independent career development that values the purpose each employee holds	Taking on board of the purpose that employees wish to follow in the business and their roles, and maximum support for independent career development

Connecting Policy to Strategies

❶ Strategies

The Kubota Group emphasizes its concept of "purpose" (a strong will) as one of the pillars of its human capital strategy.

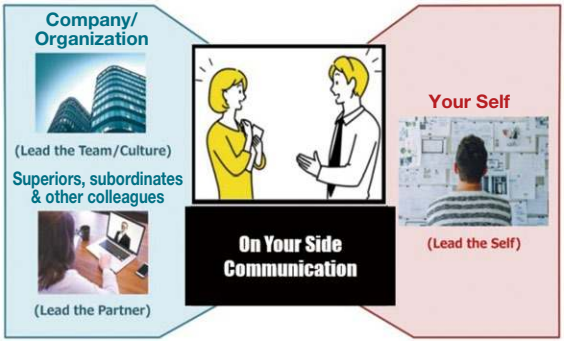
To achieve the goals of "GMB2030," we need to achieve personal growth for everyone in the Kubota Group, and the foundation for this growth is the purpose that each employee possesses. Going forward, we will find the overlaps between the thoughts the company/organization values as well as the roles it expects its employees to play and the purposes of the individuals, thereby giving shape to the purpose of a "Kubota person." Our goal is an organization that has in place the kind of environment where employees can independently achieve their aims, and where the purpose each holds acts as the driving force for individual and organizational growth.

We will continue to offer active support for every employee to take a look inside themselves and consider their career independently. We will also work to expand the horizons of employees and focus our training investment on those employees who have the desire to take on the challenge of personal growth. Furthermore, we will carry out personnel training for human resources that can extract the maximum from individual strengths and maximize the ability of teams to create value while refining those strengths.

❷ Policy

Looking to the future, if we are to expand existing businesses and try to come up with new solutions, we in Kubota need to actively invest in training in terms of systematic training for management personnel and in training for human resources that have the desire to take on challenges, and in that way train employees with diverse values who can flexibly react to change.

Also, to properly take on board each person's purpose, we ensure sufficient dialogue between bosses and subordinates or peers about careers realized in certain tasks or duties, and do everything we can to embody the employee's wishes, which leads to more independent action by the employee. At the same time, we will develop an environment where employees are assigned to optimal roles or given ideal experience, depending on their individual wishes.



Personnel measures related to "purpose" (individual growth)

For the training of management personnel, through selective training or succession plan studies, we are strategically and systematically training the human resources who will lead our business in the next generation. As support for independent career development, we are constructing mechanisms to fill individual employees with purpose, and establishing systems and initiatives whereby employees can aspire to more ambitious careers through career development training and other methods, and raising awareness of the purpose concept.

Policy	Main personnel measures
Discovery and training, strategically and systematically, of candidates for future management roles	• Enhancing training of management personnel
Proactive investment in human resources who have a real desire to take on challenges	• Encouraging open recruitment for (voluntary) training
Taking on board of the purpose that employees wish to follow in the business and their roles, and maximum support for independent career development	• HR report reviews (personal purpose creation) • Promotion of career development training • Expansion of in-house second jobs/CMF/open recruitment

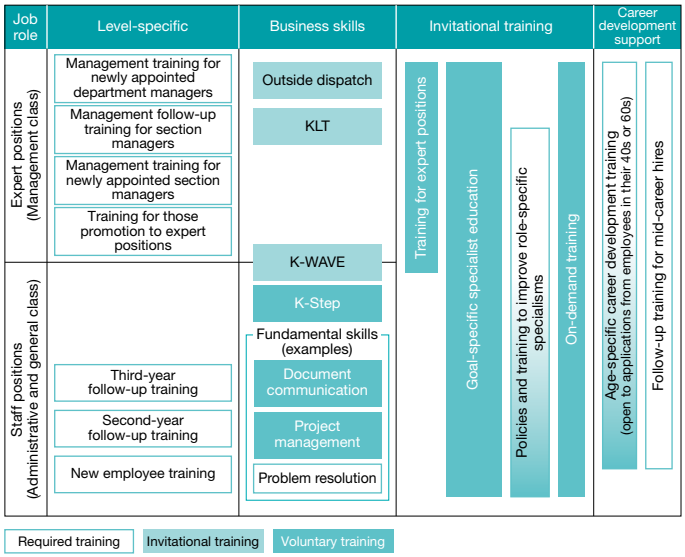
Main personnel measures related to "purpose"

Education systems

2024 education systems for expert and staff positions

To develop business operations that have ESG at their core, we aim to train and develop the capabilities of high-added-value human resources that can respond to advanced globalization or intensifying competition in business management.

For each kind of job role (expert and staff positions), we provide systematic level-specific training to quickly provide employees with the capabilities and qualifications they require, as well as invitational training to train a select group of management personnel from the next generation. Furthermore, we are developing and expanding open-recruitment-based (voluntary) training so that Kubota Group human resources can independently endeavor to hone their skills and develop their capabilities, and we provide them with a diverse range of training options.



Enhancing training of management personnel

We systematically and strategically conduct selective training for the next generation of management personnel and global human resources that we will need to respond flexibly to drastic changes in society and to support Kubota's sustainable growth. At HR meetings, which bring together the president and other top executives from the business divisions and function-specific divisions, members investigate optimal training, personnel assignments, and other topics pertaining to future management candidates, based on our succession plans.

Outside dispatch training

We wish to develop top leaders who can lead the business and adapt well to change, and so we carry out outside dispatch training for department managers and executive officers that involves sending employees outside the Kubota Group for training to help with securing management personnel. The aim is for trainees to, through dialogue and discussions with others in similar positions outside Kubota and learn through a wide range of experiences.

Kubota Leadership Training (KLT)

KLT is provided for section managers to develop their capabilities of looking at the future from a better vantage point and considering business direction. It also brings about leaders that can plan and develop strategy. The aim of this training is to inspire in trainees a sound but passionate awareness of the problems that face both Kubota and themselves as individuals, as well as a desire for growth.

Training targets and number of trainees

	Target group	FY2021	FY2022	FY2023	FY2024
Training of management personnel	Managers and higher positions	5	15	12	TBA
KLT	Section managers	9	—	23	TBA
K-WAVE	Mid-level administrative and general class staff	14	8	19	30

K-WAVE

For younger administrative and general class staff, we select and train visionary leaders to drive new business and innovation in the future from an early stage. This training involves imagining what the Kubota Group and its leaders should be like in ten years' time.

Encouraging open recruitment for (voluntary) training

We actively carry out educational investment in open-recruitment-based (voluntary) training so that employees can work enthusiastically to develop their own capabilities, self-actualize, and boost their own motivation.

Specialized training for specific objectives

We have developed around 160 different courses within the Kubota Group and are working to support a training program under which each employee can actively enhance their skills. For employees to gain the skills they need in their tasks, we promote training and policies that improve their role-specific specialist skills, while matching the capabilities they require.

For example, an R&D employee can attend seminars, etc., to gain technical knowledge about particular products or technologies—such as electricity, electronics, IT, or hydraulic systems—that will serve them in their actual duties and help them develop their capabilities. Also we are constructing an education system that is role-specific, improving our understanding of each individual employee's skill level, providing training and educational materials catered to that level, and helping employees to improve specialist skills and carry out their tasks smoothly and successfully.

Training targets and number of trainees

	Target group	FY2021	FY2022	FY2023	FY2024
Specialized training for specific objectives	Expert/Staff/Technical positions	2594	2773	3527	TBA
K-Step	Mid-level administrative and general class staff	—	82	78	72

Human Capital

K-Step

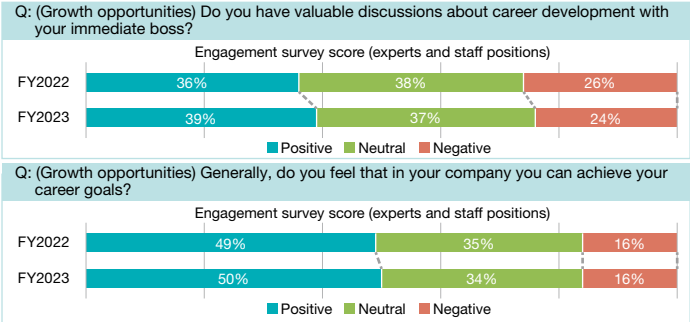
For mid-level administrative and general class staff, we have training that helps them step up a level as businesspeople, by providing them with the knowledge and skills they need to implement and promote projects and high-added-value tasks, and to offer their own team members leadership, training, and guidance. Groups enact activities under the theme of clarifying and embodying Kubota's competitive advantage in existing businesses.

Expanding opportunities for growth

Understanding current opportunities for employee growth

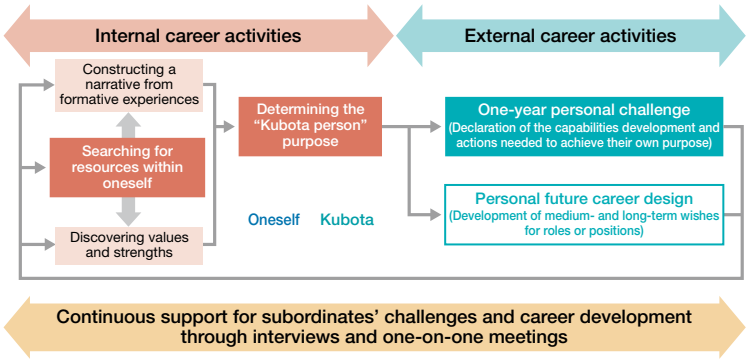
While we are making steady progress in improving our engagement survey score with regard to career development, positive responses in this area are still in the minority, and we recognize that discussions with bosses to support career development is an issue. Therefore, we need to focus on dialogue that promotes more independent career development. Going forward, we will concentrate on the initiatives below, and hope to improve our score in this area.

Engagement scores, which are linked to career development



Reviewing career development support systems

To ensure dialogue that draws out the value of our human resources and encourages individual employees to grow independently, the HR reports designed to grasp the experience of employees or their transfer wishes we have been carrying out are not enough on their own. As such, we will review the reports to make sure they also incorporate the employees' own value, strengths, and purpose, and that we lay out and support the career challenges they determine in meetings with their managers. Firstly, to determine each team member's own internal career wishes, we will grasp their values and strengths, uncover the resources they hold within, and dive down into these. Next, we will look back at their past and present work experience, and find instances where their own values were met or where they showed their strengths. Likewise, we will recognize their hidden resources. Based on the purposes the company and organization value and the roles they expect employees to play, employees will use their own values and strengths to think more deeply about their dreams and what they want to achieve at Kubota, put their dreams and purposes into words and set themselves challenges to accomplish to fulfill that purpose. We will support these initiatives through frequent one-on-one meetings and their daily tasks.



Career-stage-specific career development training

To stimulate employees into taking the initiative with career development and foment a desire among them to take on challenges, and to tie these into employee growth and retention, we enact career-stage-specific career design training for those in different stages of their careers, from younger employees to more senior ones. We have also established a career development training course for those around 60 years of age after the extension of retirement age in Japan has led to greater expectations on our side for middle-senior-level employees (in their 40s and 50s) and because of feedback that showed those who took middle-senior-level training were highly satisfied with it and wanted continuous follow-ups.

	20s	30s	40s	50s	60s
Who	Third-year staff positions hired as new graduates	35-year-old expert and staff positions	Approx. 45-year-old expert and staff positions	55-year-old expert and staff positions	Approx. 60-year-old expert and staff positions
Mandatory	Yes	Yes	No	Yes	No
Theme	Take stock of work experience so far, and reconfirmation of own strengths and values, to gain ability to imagine own career path	By clarifying own career stance, pursuing own strengths, and considering what one should be including in the future, form independent career path and drive own growth	Understand the importance of continuous learning. Don't rely on company to decide future career path but recognize importance of considering oneself and preparing options	Understand the importance of continuous learning. Consider how one can contribute to Kubota and society by leveraging one's strengths, so as to use one's long life meaningfully	Understand the importance of continuous learning. Consider life after retiring from Kubota while backcasting to create a vision of how to contribute to Kubota and society by leveraging one's strengths
Style	2 days; face-to-face	1 day; online	Career seminar for 40s+ employees + 1 day; online		

Career challenge support measures

In order to support employees' independent career development, Kubota offers ① open recruitment entries, ② a second-job system, and ③ the Cross My Field program (cross-boundary learning inside and outside Kubota). Through these, we have put in place an environment in which employees can actively challenge themselves on career development. In 2024, we are enhancing and expanding these current systems.

① Open recruitment entries

To meet our human resources needs with a focus on the wishes of employees, regardless of their existing experience or skills, we enact open recruitment for a wide range of positions from throughout the Kubota Group, and as a method to allocate the right people (who are filled with a strong desire to progress in their chosen area) to the right places, since March 2004 we have been running an open recruitment entry system. By showing employees that there is a path for them to independently choose their own roles and take on the challenge of developing their career, we work to foster a culture that energizes employees to focus on creation and addressing challenges. Previously, employees applied to open recruitment drives by different departments, but in 2024 we changed the system so there are now no restrictions on employees' choices or when they choose to apply, so that they can apply for various positions as and when they choose, so even mid-career applications are welcome. In this way, we aim to proactively make use of their talent.

Examples of internal open recruitment

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

② In-house second-job system

We have introduced a system whereby Kubota employees can become involved in tasks they want to take charge of for different departments within the Company while continuing to do their main job. Based on their wishes, we provide them with opportunities for growth, and through these we hope to improve employee engagement with also encouraging innovation, reforms to tasks, and a more dynamic organization. In 2024, we will start to actively post examples like the above on our intranet. Going forward, we will strive toward greater empathy and consideration between different departments and companies to ensure ease of use for employees and smooth operations.

Examples of second-job placements

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

③ Cross My Field (cross-boundary learning inside and outside Kubota)

This personnel training program gives trainees a real feeling of growth by going beyond the boundaries of the organization to which they belong or their usual tasks to interact with a range of different people and experience real business. Since we trialed the course in 2021 as a new place to learn, taking our products as the core theme, each year has involved various curricula and cross-boundary learning both within the Kubota Group and at other companies and organizations inside and outside Japan. In this way, we offer trainees ample chances to challenge themselves.

To arm our employees with an entrepreneurial spirit—one of not fearing mistakes but boldly attempting innovative business models—in 2024 we opened up an entrepreneurship school, at which trainees follow themes such as studies into business models that make best use of existing resources and coming up with plans to establish in-house start-ups. So far, 23 employees have taken part, with the main topic being an investigation into turning agricultural residue and other organic waste into biofuels and how this can be utilized. Trainees are learning more about the essence of in-house companies, and bravely working not on case studies, but on practical and challenging processes that go all the way to actual commercialization.

Year	Plan	Start
2021	Creating a comfortable atmosphere and space in Japan	June 2021
2022	Encouraging smart agriculture	July 2022
2023	Solving social issues in developing nations	June 2023
2024	Drawing up plans to establish start-ups from business model studies	January 2024

Human Capital

[Human Capital Strategy ③] Promotion of Health & Productivity Management: Foundation of Our Human Capital Strategies

Basic approach

The Kubota Group will continue to create the solution that society needs, but to do so all of its employees—who are at the heart of its business activities—must be healthy in mind and body. If we can create workplaces where each and every employee is happy and motivated, we will maximize our organizational performance and support this as the foundation for our human capital.

❶ Strategies	❷ Policy
Develop an effective cycle of investment in health measures through data analysis based on a health & productivity management strategy map	Increase in the number of employees who have the health literacy to see how health impacts them directly and to independently work to maintain and improve it

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

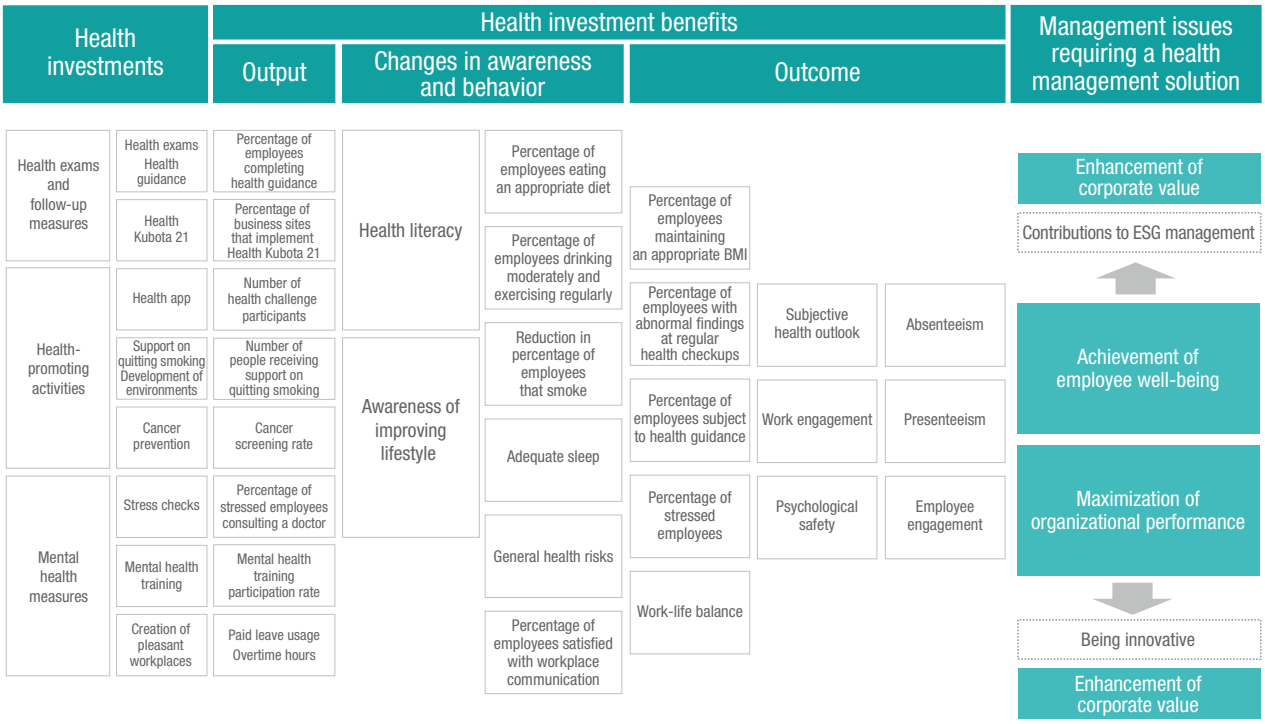
Connecting Policy to Strategies

❶ Strategies

The Kubota Group promotes health & productivity management as the basis for its human capital strategy. At the heart of this strategy is data analysis based on a health & productivity management strategy map. We will conduct multivariate analysis of health diagnosis data, working hour data, and indicators acquired through multiple surveys, and also uncover factors that encourage or hinder employees' physical or mental health and performance. Through these efforts, we will construct an effective cycle of investments in health measures.

Healthy employees can improve our organization's creativity and productivity and contribute to the Kubota Group's overall performance. This approach is also closely linked to the ESG management that the Kubota Group aspires to, and will achieve sustainable corporate growth.

Health & productivity management strategy map



❷ Policy

To maintain and improve health, we all have to review our daily habits. We believe that the first important step in changing behaviors is to change our awareness. Health literacy is one indicator for measuring health awareness, and increasing the number of employees with a high degree of such awareness will help to foster a culture of valuing physical and mental health. While enhancing our occupational health systems, we are boosting the number of employees who voluntarily tackle initiatives to improve their own health. In this way, we are continuously investing in health measures to enhance health literacy throughout the Kubota Group.

Outcome Indicators for the Health & Productivity Management Strategy Map

One of the outcome indicators we set for health & productivity management is the extent to which they demonstrate performance (presenteeism). This indicator expresses the extent to which the productivity and ability of employees to do their duties drops when they attend work with some kind of illness or symptoms. As the effects of our investments in health & productivity management spread from the left of our health & productivity management strategy map to the right, the timing for the effects to become apparent varies. In short, we expect that improvements in health literacy, an indicator of awareness, will also lead to improvements in performance level (presenteeism) as healthy habits and health generally improve.

Through repeated PDCA cycles, smaller ones for evaluating health measures to awareness changes in the health & productivity management map, and larger ones for evaluating behavioral changes to outcomes, we hope to achieve well-being for employees and maximum performance for the organization.

Item	FY2022	FY2023
Health literacy*1	3.28	3.31
Performance level (presenteeism*2)	81%	80%

*1 Measured via CCHL score (up to a max. score of 5.0)
From questionnaires put to expert positions and staff positions

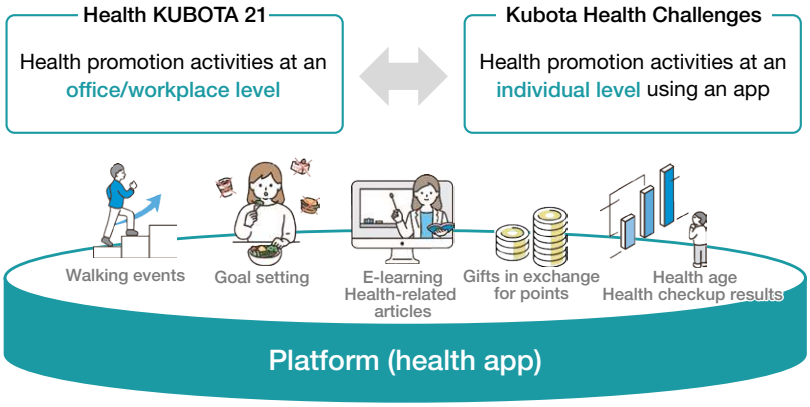
*2 Measured via SPQ score (on a scale from 0–100%, using the Single-Item Presenteeism Questionnaire developed by the University of Tokyo)
From questionnaires put to expert positions and staff positions
Calculated by subtracting presenteeism (%) from 100%

Main Measures Related to the Promotion of Health & Productivity Management

Policy	Main health measures
Increase in the number of employees who have the health literacy to see how health impacts them directly and to independently work to maintain and improve it	• Strengthening of support for healthy behavior using ICT • Enhancing of health education for different age and position levels • Centralized management of physical and mental health data by updating health management systems • Strengthening of occupational health systems (systems to offer comprehensive physical and mental health)

Strengthening of support for healthy behavior using ICT

Through robust collaboration on health with the Kubota Health Insurance Society, we, at the Kubota Group, all work together on a range of different health measures. In order to improve individual employees' health literacy, between 2018 and 2021 we lent wearable devices free of charge to those who wish to use them (12,309 individuals in total). In 2022, meanwhile, we introduced a health app and created an environment where employees can easily check the results of their health checks and vitals at any time. Alongside this, through year-round health events (Kubota Health Challenges) and point incentives for healthy behavior, we support employees to improve their own health.



The proportion of employees who answered that they are not going to improve their daily habits remained largely similar, at 25.1% in 2021 and 23.5% in 2022, and how to positively influence these employees who are indifferent to their health has been an issue. Even in 2023, the proportion was 24.6%, not much of an improvement, yet among those who had registered for the app, the percentage dropped to 19.7%.

We expect that utilization of the health app will have at least some positive impact on health literacy, and so in April 2024, we set up a new incentive program that offers immediate rewards to users who have registered three metrics: bodyweight, blood pressure, and sleep hours. In order to further support the formation of healthy habits, we have adopted a system in which the incentive increases depending on how many days that users have registered these data.

Human Capital

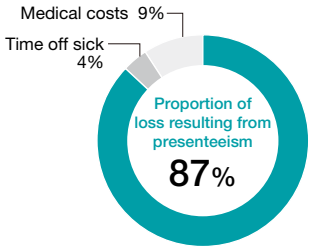
Centralized management of physical and mental health data by updating health management systems

In January 2024, we updated and integrated our health management systems and stress check systems, and reconstructed these as an integrated Kubota Group health management system. We determine the relationship between data on topics such as working hours and employee engagement and physical and mental health data, and conduct deeper dives into health issues and analysis into relationships with each indicator.

When we think of health-related loss per employee, the biggest impression is generally medical costs or time off sick to recover, but we discovered that actually presenteeism is the biggest single cause of loss, accounting for 87% of total loss.

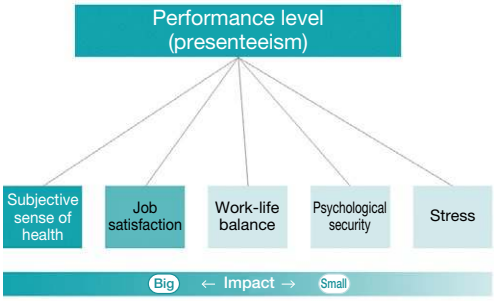
Additionally, we analyzed*1 the links between factors that have a big impact on performance level (presenteeism) based on the health & productivity management strategy map. As a result, we discovered that a subjective sense of health is the most influential factor. Deeper analysis*4 revealed that for employees' subjective sense of health, the factor with the biggest impact was sleeping habits, and that a pressing issue was how to improve the quality and amount of sleep they got. While enhancing health education for different ages and positions, we will incorporate subsidies for wearable technology devices and use the health app to roll out measures focused on employees' understanding, actions, and commitment.

Proportion of health-related losses per employee



* Time off sick = Proportion of days off from total working days × average total annual salary
* Presenteeism = loss ratio × average total annual salary
* Calculated for the period January to December 2022

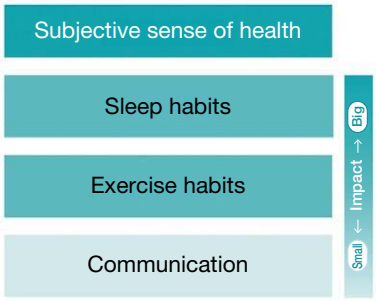
Relationship analysis for upper indicators*1



*2, 3

*1 Multiple regression analysis with target variable set as health checks, stress checks, and presenteeism using original questionnaires, and explanatory variables as various indicators. Scope: Kubota, age and gender controlled.
*2 Only significant explanatory variables are shown.
*3 Comparative impact shown calculated using standardized (β) coefficients.

Relationship analysis for lower indicators*4



*5, 6

*4 Multiple regression analysis with target variable set as health checks, stress checks, and presenteeism using original questionnaires, and explanatory variables as various indicators. Scope: Kubota, age and gender controlled.
*5 Only significant explanatory variables are shown.
*6 Comparative impact shown calculated using standardized (β) coefficients.

Individual employees looking after their physical and mental health is the cornerstone of business operations

The Kubota Group believes that it is by maintaining and promoting employee health that we can produce lively workplaces and create new value, and so in 2021 we created a dedicated organization to further promote health & productivity management. All of the organization's members also serve in the Kubota Health Insurance Society and work on integrated operations between the Kubota Group and the health insurance society (collaborative health). Good health is not the ultimate goal, it is the starting point, and the basis for each employee's happiness and self-fulfillment. Through "GMB2030," we aim to be an "Essentials Innovator for Supporting Life" and our mission is to support the health of the employees who will make that a reality.

Koichiro Kameda
General Manager of the Health & Productivity Management Promotion Department and
General Manager of the Healthcare Services, Kubota Health Insurance Society

Special Feature

1

Mitsuhiro Kuno
Demand and Supply Control Dept.

Masashi Nakayama
Measurement System Dept.

Gen Futagami
Design Center

Akira Shozaki
Environmental System Control Dept.

Takuya Tonegawa
Business Strategy Planning Dept., Customer Solutions Division

Toshihiko Motohori
International Water and Environmental Infrastructure Planning and Sales Headquarters

Striving to further enhance human resource value by promoting dialogue within the organization

To strengthen human capital, which lays the foundation for sustainable corporate growth, the Kubota Group aims to build a corporate culture that brings the best out of its diverse human resources and is implementing measures based on dialogue to promote mutual understanding and empathy for each individual's purposes and values.
Six department managers of Kubota recently gathered to exchange views on issues and initiatives to enhance Kubota's human capital.

Managers' "purposes" toward stronger organization

Kawabata: We are developing various communication measures to promote individual growth and strengthen organizational structure, which is the Kubota Group's human capital strategy. Most recently, we held a workshop (hereinafter "WS," described later on page 61) targeting heads of departments to help them build their organizations. First, please tell us about the background and thoughts behind your participation in the WS from your respective standpoints.

Shozaki: My department was newly set up two years ago and consists of engineers in electrical design and other fields. Although our experienced members are working efficiently, their average age is over 50, and I felt a sense of crisis about our future continuity. I recognized the importance of developing an organization, because we need to nurture young engineers and let them learn from experienced employees, but we also need to expand operations. I also learned about the in-house recruitment for WS and decided to participate.

Tonegawa: My department, the Business Strategy Planning Dept., Customer Solutions Division, is also a relatively new organization. At the time it was established, members came from

various departments, and getting them to build relationships with each other and pull the team together was a challenge for me. However, during the COVID-19 pandemic, even promoting communication between managers and employees was continuously to be difficult, and I had a hard time building a relationship of trust within the organization. I was interested in WS because I want to break away from the stereotypical image of a manager as a "department head who has to hold the organization together" and become a leader who can conduct real dialogue.

Kuno: My department, the Demand and Supply Control Dept., was established in 2021 as a new organization to handle issues in the supply chain.

I wanted to conduct more frank dialogue within the department and aim for an organization where members support each other as a team and accomplish tasks with a smile no matter how difficult the task is. I participated in WS hoping that it would trigger a change in the way dialogue is conducted within the organization.

Futagami: Since taking up a post as department head in 2023, I have been working to develop a department aligned with Kubota's vision of creating a next-generation organization.

In design work, output varies significantly depending on the motivation of individuals. I wanted to utilize WS setting out to build an organization that inspires each individual's purposes through dialogue.

Motohori: From my experience as president at an overseas subsidiary, I was accustomed to the Western style of organizational management, where everything is discussed openly.

Facilitator:
Maya Kawabata
Human Resources Dept.

In contrast, I am confused about the fact that in Japan, it is not always possible to conduct frank dialogue. I know that my role as a manager is to create a comfortable workplace, and I decided to participate in WS to form a better organization where individuals can work fully to their abilities.

Nakayama: I applied for WS because first I wanted to connect with other department heads when I assumed the position as department head in 2021. In fact, even at Kubota alone, opportunities to make contact with the about 200 department heads are limited. I was hoping that contact, for example, would help me learn from people in a wide range of departments as the Measurement System Dept. advances overseas and expands markets. For Kubota to generate synergy as a whole, we have to think about building department relationships that make us feel secure as if we were meeting in person.

"Personal history graph*" helpful for sharing our values

* A graph reflecting on our life to date and recognizing our values, internal motivations, strengths, etc.

Kawabata: After listening to what you have said, I realized that there is a great need for connections beyond departmental barriers, as well as issues about dialogue within departments. In this regard, please tell us what you have gained from participating in WS.

Motohori: It was a valuable experience for me to have communicated with people from other departments through the WS. Actually, we have not networked much with people in the Farm & Industrial Machinery and corporate departments, and I hope the WS will become a springboard to expand these connections.

Shozaki: In addition to the curriculum, the good thing was that we started a group chat for department heads gathered at the WS where we could exchange views on issues that we were facing.

Tonegawa: We have a lot of concerns as department heads but feel uncomfortable confiding in front of many people. However, we were able to share our worries with others at the WS.

Kuno: Thankfully, it allows us to share our issues at work and receive advice on how to solve them from other department heads, rather than trying to handle them all by ourselves. In fact, the advice helped me find a clue to solving my own issue.

Shozaki: Indeed, as we opened up to each other during discussions, I felt at ease after similar issues were discussed.

Tonegawa: The distances between us and the members were also much talked about. As a manager, I think I'm close with our members, but from their point of view, I'm at a distance; there is a gap in our awareness. It is not like it was before when we could just go out for a drink to solve the issue. In this respect, it was a benefit of participating in the WS to share our issues with others because it made me feel comfortable.

Futagami: It was good that we made the "personal history graph" and showed it to each other during the WS to share important points in our lives. This helps build relationships with our members.

In our daily work, we seldom talk about setbacks in our lives, but by sharing the twists and turns in our lives through the graph, we were able to get to know values of others, which I feel brought us closer together. Members who were present also said that they would like to use the same method to promote dialogue.

Tonegawa: I had the same insight. One of the important tasks of a manager is to create a comfortable working environment, but I'm sure we all feel the same way about creating a better organization by handling issues as a team, not just through the manager's hard work.

Nakayama: I'm using the "personal history graph" to encourage dialogue within my department. Some of the younger members and I draw graphs and show them to each other. What everyone is curious about are depressions in the graph.

By exposing failures in life and weaknesses to each other, we are now able to talk openly and honestly.

Keys to developing a better organization: Relationships with members and involvement of section managers

Kawabata: Did you feel any changes through the WS, such as, you, managers, taking the initiative in talking about your own failures?

Nakayama: Yes, I did. I was able to take the realistic attitude of not needing to force myself to become an ideal manager. As a manager, I became conscious of being myself when facing my team members. I was later asked by some members to go out for a drink sometime. I feel there was a change in my relationships with people around me.

Kuno: Since about a year ago, our department has been holding monthly meetings as opportunities not only for business reports but also for members' presenting their "On Your Side message." I think that sharing our values has changed the style of dialogue among the members, including myself. I want to make it a mainstream trend in creating an ideal organization to think about someone else's problem as our own until it is shared among all our members.

Futagami: In an organization, everyone has a different personality; while some people fit into the organization immediately, others need time to build relationships. Based on this, we cannot have a smooth dialogue with everyone on the spot, and we need to give enough time to some people.

Tonegawa: For those in positions of power, it is important to increase the engagement of members, but if this turns a means into an end, it may cause a strain in the organization instead. I think it is important for managers to spearhead initiatives in improving the atmosphere in the workplace, and it's necessary for both managers and members to raise awareness.

Motohori: In the department to which I belonged until last year, engagement was an organizational priority issue and was thoroughly discussed at a training camp attended by all section managers. In my current department, we have also gathered department heads to discuss the issue early this year. Within respective departments, section managers were encouraged to

gather their members for further dialogue. I believe that it is important to convey that we, as managers, are serious about improving engagement and are determined to be honest to a fault in solving organizational issues.

Kuno: I'm also keenly aware of the importance of how we involve the section manager level in confronting organizational issues.

Motohori: To enhance engagement in the organization, we can make the most of our human resource system structure and raise the level of communication. And to raise the level, it is extremely important to raise the awareness of section managers, who are in daily contact with people in the workplace. To this end, department heads will be required to take the initiative in encouraging section managers.

Shozaki: You are right that it is important to involve section managers in developing a better organization. Having said that, it is not easy to involve section managers who are busy with their day-to-day operations. Department heads need to be aware of this and make time for section managers to think about the organization.

Tonegawa: In my department policy, I have included the question, "What can you do to make our team better?" in addition, I regularly interview all the members.

Futagami: Some GMs of BU are putting their purposes into the policy. Their members are inspired, saying, "I've never done anything like this before." As managers change, the sensitivity of the members who receive the messages also changes.

Tonegawa: I heard that in a department, the department head has adopted a new approach by gathering members in their 20s to hold discussions. I want to start with something small as a starting point to move the needle. Young employees in their second year with the company, when they come to the office every morning, have started loudly saying "Good morning" to people they meet on the floor. We also keep making small changes, such as making it a habit to call our members "Mr. or Ms. XX," not by their job title. I believe that the organization will become even better if other members begin with what they can do one by one.

Futagami: Regarding organizational change, it is important to lead everyone in the right direction. Leaders must have skills for sophisticated organization developing so efforts will not go off course as time passes. As the head of the department, I will perform this task properly.

Tonegawa: Going forward, the success of these efforts will depend on whether, for example, when Mr. Futagami leaves the team, your members will think "I will miss you when you are gone." I remember when I was assigned overseas, I was determined to become a manager who the local team members would feel reluctant to part with when I returned to Japan.

Kuno: I felt the same when I was stationed in Thailand. Now that I have returned to Japan and am working with the current members, I realize the importance of having the same kinds of thoughts. In addition to that, during WS I was impressed with the commitment of all department heads to organizational management with the determination to "build the organization that we aspire to be." It was worth participating in the WS to just experience this.

Futagami: Many of my department members are older than me, and when they reach retirement age, I will do my best for them to say they were lucky to have been in an organization led by Futagami.

Interactive dialogue between managers and members essential to invigorate the organization

Kawabata: Please share with us your thoughts and awareness regarding dialogue in organizations.

Shozaki: To me, talking about details at work is a conversation, and getting alignment on views is dialogue. Before participating in WS, I thought that dialogue in 1-on-1 meetings was for managers to elicit the purposes and opinions of members. After practicing dialogue at the WS, I became aware that the two-way opinion exchange between managers and members is important.

Furthermore, through such a style of dialogue, we should aim for exciting work and an exciting workplace. Also, in our 1-on-1 meetings with members, we have started a dialogue with our members from the perspective of "What excites you when you are doing something?" Opinions expressed by members show that they get excited when trying something new, when a customer agrees with a proposal that he/she made, and on many other occasions. We are engaged in dialogue, including chats where

they can talk freely about anything.

Nakayama: We also hold 1-on-1 meetings once a month. Each month, I pick a theme and try to discuss it with all the members, listening carefully to what they say, not speaking one-sidedly.

Kuno: Some in the organization talk a lot and others don't, and we consider balanced staffing when we're organizing something like a project team.

Tonegawa: Unlike conversations about details at work, there is no fixed language for dialogue. Because we cannot define a correct design, I attach importance to being willing to speak. For the dialogue in 1-on-1 meetings, continuity is important. In 1-on-1 meetings with members, we discuss the same theme, such as work-related worries, and start from where we previously left off in the next meeting to share our purposes.

Futagami: Other than the set 1-on-1 manager-member meetings, new trends have emerged, such as the kickoff of dialogue among members within the department. I'm happy to see things start moving.

Shozaki: Even if it was triggered by the manager and members, it would be good if opportunities for dialogue spontaneously arise between colleagues and others. With departmental boundaries, a corporate organization tends to fail in a closed community. To break down this tendency, it would be necessary that, for example, young people from different departments start dialogues.

Kawabata: What do you think is needed to further spread the culture of dialogue across the Kubota Group?

Tonegawa: First of all, those leading the organization should keep taking the initiative to recognize the importance of dialogue and engage in two-way talks with members; this should become the starting point for spreading dialogue as corporate culture throughout the organization. To achieve this, it's important to actively communicate good examples of dialogue to internal and external stakeholders via the company intranet and website to raise employee awareness. Another point is to pursue cross-departmental dialogue. Unfortunately, at present, I'm facing a bit of a hurdle in visiting Mr. Kuno's floor to conduct a casual dialogue with members of other departments.

Kuno: Please don't say that. Feel free to come, haha.

Motohori: At a large organization like the Kubota Group, it won't be easy to instill dialogue as corporate culture. For all of that, President Kitao is actively disseminating information through videos and other means, setting a good example of top management in the coming era. Learning from his attitude, managers' demonstrating leadership to their members in deepening communication should foster a culture of dialogue.

I want the culture of dialogue to take root so all the group members can share Mr. Kitao's vision of "changing society for the better with the power of technology" and think together about what each of us should do to that end.

Kuno: For that purpose, I think it is important to create a flow within the organization. I want to create a flow involving top management, department heads, section managers, and the organization as a whole, to share the same purposes.

Tonegawa: Moreover, I'd like to propose creating a flow not only from the top to the bottom of the organization but also from the bottom to the top, and on top of that, horizontally and diagonally. I think it would be great if anyone working for the Kubota Group could convey their purposes in all directions within the organization, not just the bosses conveying their purposes to their employees.

Futagami: From now on, I hope that there will be more opportunities to learn about organizational management including dialogue, as well as areas of expertise. Fostering human resources excelling in organizational management will revitalize the entire Kubota Group in the long run.

Kawabata: Through this roundtable discussion, I could sense your enthusiasm as department head. I also confirmed that, for employees to perform at their full potential, both managers and members are working to understand and empathize with the individual values of others, deepen mutual understanding, and build an environment in which members feel safe and secure to

constructively bounce ideas off each other. As the Human Resources Dept., we would like to contribute to the realization of GMB2030 by applying this approach company-wide to put more effort than ever into instilling a culture of dialogue and to promote initiatives whereby individual employees can take on new challenges on that foundation.

Voice Comments from participating department members

A practice of dialogue between GM and members has been included in our Organization Building Workshop program. We asked some members how they felt about it.

Sahori Okamoto

Business Strategy Planning Dept.,
Customer Solutions Division
(GM: Takuya Tonegawa)

Mr. Tonegawa, the General Manager, regularly holds 1-on-1 meetings with our members to create opportunities for dialogue and sends us congratulatory e-mails on our birthdays for deeper relationships. When selected as a member of the WS dialogue practice, I decided positively to participate because, in addition to reorganizing myself, I was interested in what the GM and other members were thinking. After the session, I realized that every member has completely different values.

I also found a new side of our GM, which made me feel more comfortable talking with him. I plan to engage in dialogue with more people, being attentive to their values and purposes, not just the surface of words, to exchange straightforward opinions without hesitation.

Ayaka Takei

Demand and Supply Control Dept.
(GM: Mitsuhiro Kuno)

When GM Kuno told me about sharing the personal history graph, I decided to participate in WS because the activity of tracing one's own history back to childhood sounded fresh and interesting. After the WS, I realized that each of us has a different background and that the way we thought in the past is now reflected in our attitude toward work.

Mr. Kuno also told us about his treasured values based on his experience, so I got to know more about his purposes. In addition, through the departmental initiative "On Your Side message," we share our values with other members, and this has created an environment conducive to conversation. It seems that sharing what we think and feel every day has made it easier for our members to speak up against issues and move forward with improvement activities.

Overview of Organizational Development Workshop (HR measures in promoting organizational dialogue)

In response to the findings in our fiscal 2022 engagement survey, we are holding an "Organizational Development Workshop" for department managers as part of our efforts through "dialogue" as presented in the president's message.

More than 50 heads of departments from across the country and beyond divisional boundaries have participated in the workshop with the aim of creating an ideal vision for organization through dialogue and defining what we need to do to realize the vision.

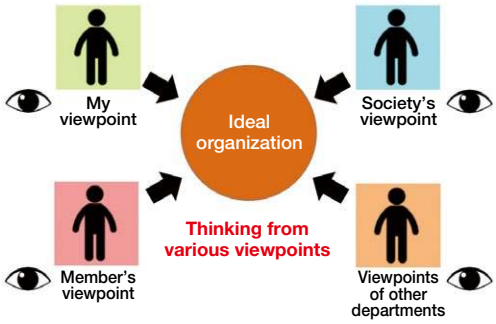
Through a total of three sessions, the program helps participants picture the "ideal vision" for their own organizations from the perspective of reframing,* facing not only the findings from the engagement survey but also their own organizational views and original experiences as managers, while also having dialogue with their members. In fact, 70% of the participating departments improved their engagement scores after each department acted toward their ideal vision.

* "Reframing" means looking at things from a different viewpoint. In this workshop, participants will verbalize an "ideal vision" for their organization through a "dialogue" reframing program from the four viewpoints of themselves, members, society, and other departments. In particular, in the reframing from the members' viewpoint, dialogue with members takes place during the interval of each session. Many participants gain a lot of insight from dialogue with their subordinates and realize the benefits of dialogue.

Dialogue and Activity flow using survey

Organizational Development Workshop Session Content

Key Point of "Reframing"



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Human Capital

Diversity, Equity, and Inclusion (DEI)

At the Kubota Group, we promote DEI as a vital management strategy and we actively work to recruit individuals with disabilities and support employees' healthy work-life balance.

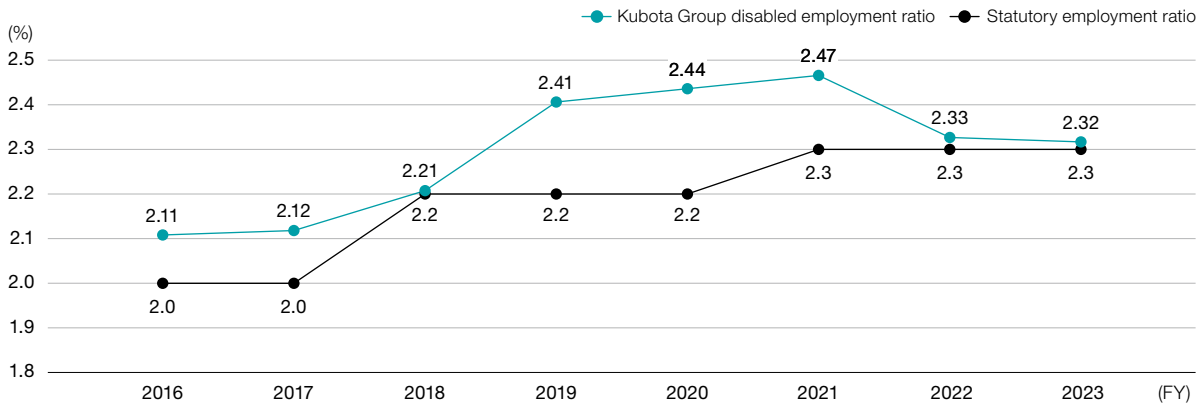
Support for Job Creation and Establishing a Work Environment for People with Disabilities

The Kubota Group is active in its initiatives toward the employment of people with disabilities that are aimed at supporting self-reliance, especially through its special subsidiary companies* (Kubota Works Co., Ltd. and Kubota Sun-Vege Farm Co., Ltd.). (As of June 1, 2023, the base number for calculation of 24,947 employees, the calculated disabilities employment ratio would equal 577.5 employees).

At Kubota Works, more than 200 employees with disabilities carry out cleaning work and clerical support. We are also moving ahead with opening up tasks such as mask fit tests at manufacturing sites or cleaning components on production lines. Also, in addition to introducing training and promotion systems, we also support anyone wanting to participate in the Abilympics. We generally have one instructor for every five employees with disabilities, and we are working to create environments that offer them peace of mind while allowing them to demonstrate their full potential.

* These subsidiaries are those where the presidents pay particular consideration to employing people with disabilities, to encourage their stable employment.

Trends in disabled employment ratio (calculated for applicable Japanese Kubota Group special subsidiary companies*)



* Parent companies with special subsidiary companies that meet certain criteria calculate the actual employment ratio for their corporate group, including for affiliated subsidiaries

Contributions to Coexistence and Ties with Communities

Kubota Sun-Vege Farm is involved in initiatives to use hydroponic culture to grow vegetables safely and securely with the goals of living in harmony with the community and the practical use of unused agricultural land. The vegetables grown there are used in our company cafeteria and are available for sale to our employees, and some are being sold at supermarkets in Osaka Prefecture. Going forward, we will continue to promote active roles for those with disabilities and expand into new business areas both to achieve the statutory employment ratio and to more harmoniously coexist with local communities.

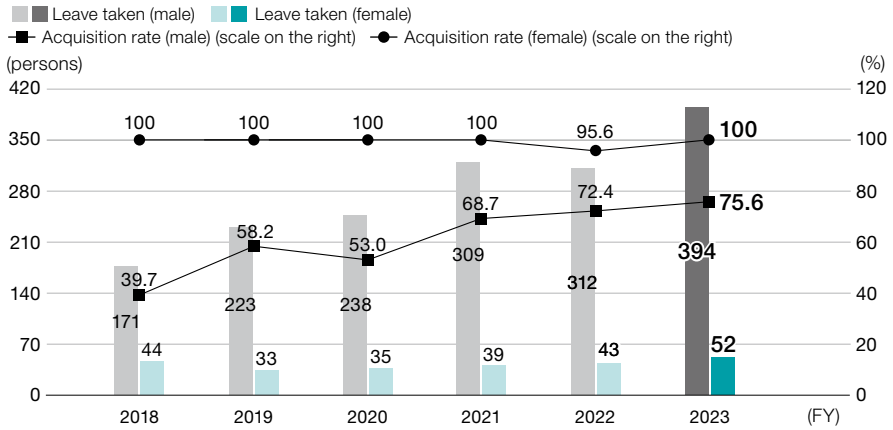
Worker busy harvesting

Kubota Sun-Vege Farm Co., Ltd.

Track Record of Systems to Support Employees' Better Work-Life Balance

We strive to put in place environments that enable employees, male or female, to strike a good work-life balance. The childcare leave uptake rate is increasing each year, and to dispel much of the anxiety some employees feel at the thought of returning to work after taking leave, we hold online return-to-work support seminars in which employees on leave can take part with their bosses. Since fiscal 2022, we have started offering leave for those wishing to have infertility treatment, to further support a positive work-life balance.

Childcare leave uptake rate (Non-consolidated)



* Prior to fiscal 2022, this was April 1 to March 31 of the following year, but for fiscal 2023 onward, data is calculated for the period from January 1 to December 31.

Certifications

Kurumin certification

We have formulated action plans based on the Act on Advancement of Measures to Support Raising Next-Generation Children, and in 2013 we were recognized with the ministry's Kurumin certification. As we promote a general employer action plan, as defined in the Act on the Promotion of Women's Active Engagement in Professional Life, we are actively developing an environment where men can also take childcare leave by doing away with notions of gender-specific parenting roles and bringing in educational activities and flexible systems.

Pride Index

We received a Silver rating in the PRIDE Index 2023, which was created by "work with Pride," an organization that supports the promotion and establishment of diversity in management, to rate companies and other organizations for their efforts related to LGBTQ and other sexual minorities.

To ensure that each and every one of our employees is unaffected by their gender or background, and that our diverse human resources can utilize their individual capabilities to play an active part, we need to develop the right kind of environment within the Kubota Group. As part of this, we have included same-sex partners and common-law spouses in where our in-house regulations refer to "spouses," so that more employees can benefit from our life-event-related systems and welfare systems.

D&I Award

We were certified as a Best Workplace, the highest rating, at the D&I Awards 2023, which is run by JobRainbow Co., Ltd.

In line with our policy on Diversity, Equity, and Inclusion (DE&I), we will harness diversity to drive creativity, and by doing so we will promote more motivating workplaces.

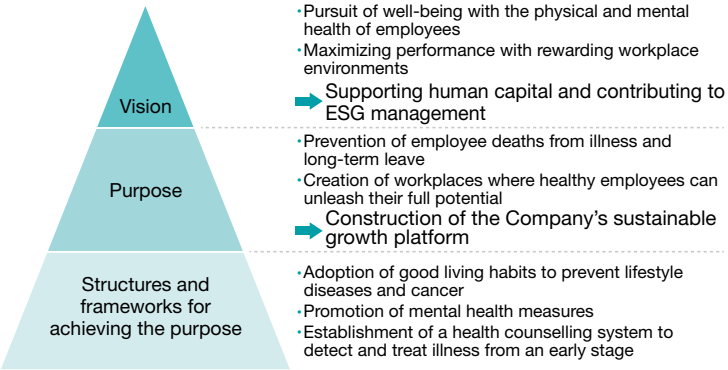
Human Capital

Health & Productivity Management

Basic approach

Mental and physical health are the foundation of a desire to work, and indispensable to the happiness of workers and their families. We will foster a culture where employee health is valued and create workplaces where each employee looks after their physical and mental health and continues to feel motivated to work. Through these efforts, we will enhance the capabilities of our human resources and we recognize that tying all of this into sustainable corporate growth is an important management issue.

Vision for Health & Productivity Management

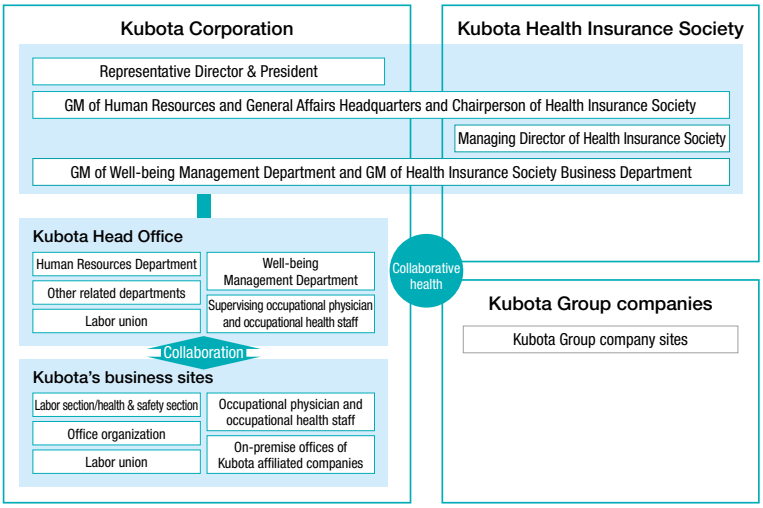


Kubota Group Health Declaration

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

Health & Productivity Management Promotion System

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



* Collaborative health refers to the Company and the Kubota Health Insurance Society jointly managing data analysis and strategy formulation.

Key Issues

At the Kubota Group, we use health & productivity management to consider health ideals and the current state of employee health, and we are working together with the Kubota Health Insurance Society to address three key issues: minimization of lifestyle disease risks, mental health measures, and the early detection and treatment of cancer.

External Evaluation

Based on our initiatives aimed at achieving better health & productivity management, we were recognized under the 2024 Certified KENKO Investment for Health Outstanding Organizations Recognition Program, organized by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi, as one of the White 500 in the large corporation category.

2024
健康経営優良法人
Health and productivity
ホワイト500

Occupational Health and Safety

Basic approach

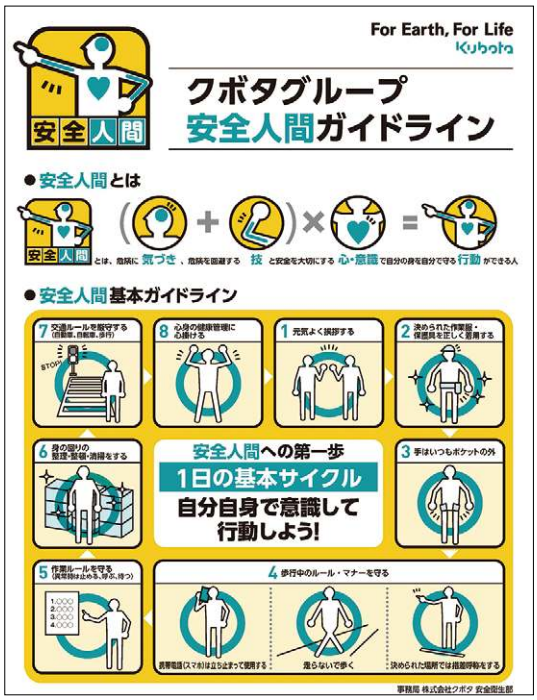
To build safe workplaces, we ensure everybody involved in our business follows “Safety is our First Priority” behavior based on the Kubota Group Basic Policies on Safety and Health, established in April 2013.

The Kubota Group Basic Policies on Safety and Health

“In the KUBOTA Group, there is no work to be carried out without serious consideration for safety and health.”
To achieve this, we established the fundamental principle that all the people involved in the business shall behave based on the philosophy that “Safety is our First Priority.”

Safety is our First Priority

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



Kubota Group Guidelines for Safety-Aware Employees / Basic Guidelines for Safety-Aware Employees

Status of Initiatives in FY2023

In fiscal 2023, the entire Kubota Group, including overseas companies, implemented the following initiatives.

1. Risk identification activities
2. Implementing measures based on the Safety Control Guidelines for assessment and promotion of inherently safe equipment
3. Standardization of safe work practices
4. Initiatives to help build a “Stop, call and wait” culture
5. Maintaining and improving working environments

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

Under our mid-term plan, which ends in FY2027, we are implementing the following key initiatives.

Target: Zero “Class A Accidents”*

1. Raising the level of risk assessment activities
2. Risk reduction activities that prioritize equipment measures
3. Risk reduction activities through safe work practices
4. Enhancing personnel development to support safety
5. Maintaining and improving a safe and healthy working environment

* A Class-A accident is one that can lead to a serious accident, such as crushing or entanglement in machinery, due to one of the following causes:
① Contact, etc., with high-heat object, ② Contact, etc. with heavy load, ③ Entrapment and entanglement by machines, ④ Fall from heights, ⑤ Contact, etc., and the like with forklift / vehicle, ⑥ Toppling of or contact with agricultural machines, construction machines or other vehicles (products), ⑦ Electric shock, ⑧ Contact with flying / falling object, ⑨ Contact with hazardous materials, acute poisoning (including lack of oxygen, etc.), or ⑩ Occupational accident caused by explosion or fire.

Intellectual Capital

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

Hiroto Kimura

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

Basic approach

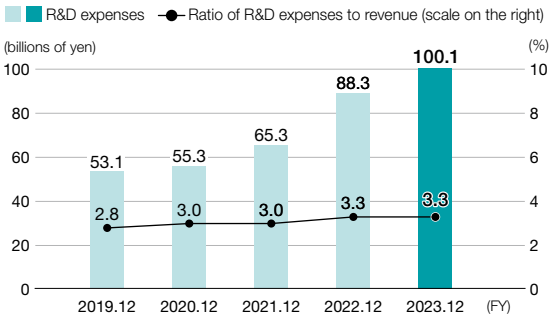
As the globalization of business advances, it is becoming increasingly important to offer products, services, and solutions that not only satisfy the needs of customers throughout the world, but also contribute to solving social issues in every community. To respond to diverse and unique local issues,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

Strengthening R&D

Strengthening regional marketing and R&D

Since Kubota began developing its business overseas, it has followed a model of exporting goods researched, developed, and manufactured in Japan, then introducing local production later on. Kubota's goal is to become a Global Major Brand, a company that can make as big a contribution to society as possible by being trusted by as many customers as possible. To achieve this, it is crucial to understand the needs of customers overseas and rapidly realize new products, services, and solutions. With the aim of achieving region-oriented product development, in addition to the R&D bases we have already opened in Thailand, France, and North America, we will construct a global R&D framework comprising six bases, including bases in China and India. Through this system, we will work to strengthen our product development capabilities and research.

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



KRDE opened as an R&D base in France in 2021

KRDNA opened as an R&D base in North America in 2022

KGIT opened as an R&D base in Japan in 2022

Smart Agriculture

Data-based precision agriculture and automated, unmanned technologies for supreme manpower savings

Agriculture in Japan is witnessing an aging and severe shrinking of the farming population. In such circumstances, to develop Japanese agriculture, we have to change it to a more profitable, attractive business for those who support the industry. Kubota is conducting R&D into next-generation farming in the form of smart agriculture (through ① data-based precision agriculture and ② automated, unmanned technologies for supreme manpower savings) and is working to spread this style of farming.

With the farming management support system KSAS, in 2023 we added a new growth map function. Incorporating aerial photographs of farm taken by drones into KSAS, users can view growth maps through the system, which significantly decreases the time needed to check growth status, which was previously done by eye on patrols or similar. Additionally, we expect crop quality and yields to improve through more suitable fertilizer control.

In 2024, we launched the Agri Robo Combine Harvester DRH1200A-A, which do not require a driver and can harvest crops such as rice or wheat through automated operations. With this product, we now have a full lineup of unmanned, automated models for all of our big three product categories: tractors, combine harvesters, and rice transplanters. The DRH1200A-A is equipped with AI cameras and milli-wave radar, which allows it to differentiate crops to be harvested from people and to stop when needed, so it conforms to safety assurance guidelines for robot combine harvesters set by the Ministry of Agriculture, Forestry and Fisheries in March 2023.

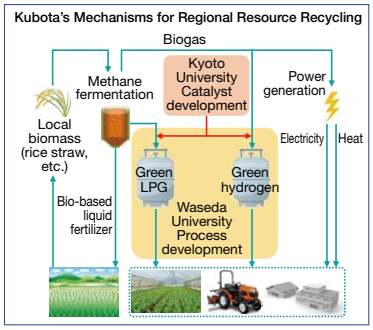
Agri Robo Combine Harvester DRH1200A-A

Carbon Neutrality Initiatives and Co-Creation with Public Institutions and Universities

As we drive efforts toward carbon neutrality, we are forging ahead with R&D into new power sources for agricultural and construction machinery. We are also focused on contributing to the development of a circular economy centered on both economic growth and resource recycling, and working to make this a reality. In order to gather together the requisite wide-ranging expertise and technologies, we are currently strengthening our collaboration with public institutions and universities inside and outside Japan.

Trials into a regional resource recycling system that uses agricultural biomass

Since 2022, we have been part of the Ministry of the Environment's Demonstration Project of Innovative Catalyst Technology for Decarbonization through Regional Resource Recycling. Through this, we are working with universities such as Kyoto University and Waseda University to create a regional resource recycling system that manufactures biofuels from rice straw for farmers and households to use.



Biomass regional resource recycling

Joint research in farm-based solar power generation

In 2023 we began joint research with Tokyo University of Agriculture and Technology in farm-based solar power generation*. The aim is to establish optimal methods for cultivating crops under a farm-based solar power facility.

* Farm-based solar power generation: Solar power generation facilities with the necessary height and pillar spacing to allow for farm work and a panel density that ensures crops receive the necessary sunlight.

Joint research farms

Manufacturing Capital

Basic approach

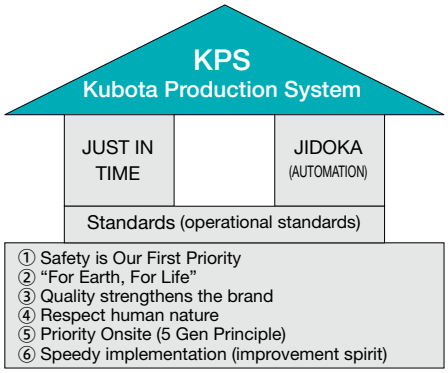
Kubota aims to achieve manufacturing that impresses customers by offering products and services that exceed customers' needs at a speed beyond their expectations. Think less "Made in Japan," and more "Made by Kubota." From locations around the world, the Kubota Group continues to aim for the reliable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

Manufacturing Capital Strengths and Strategies

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

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

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



KPS: a way of looking at and considering products that underpins our manufacturing

Two pillars:
- KPS judgment criteria
- Fundamental approach

- Chosen ways of doing things

Basic philosophy
- Must be adhered to

Possessed Manufacturing Capital and Output/Outcomes We Created

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

Manufacturing capital
- Number of production bases Japan: 13; Overseas: 22
- Output (FY2023)
  Production results: ¥2,945.2 billion

- Outcomes
  - Prompt and swift supply of products
  - Raising of the QCD level throughout the entire supply chain

Capital Expenditures: Amounts and Purposes

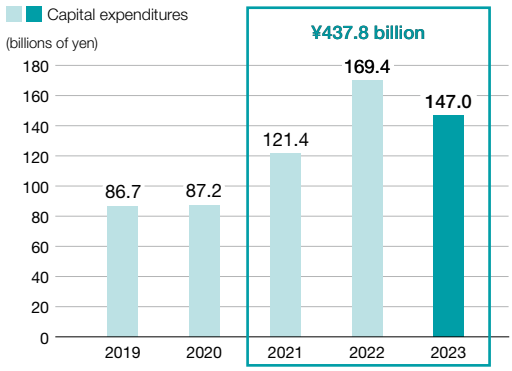
Medium-term capital expenditure plan for 2021–2025:

- Planned budget is ¥600 billion.
- Over the first three years, investments have been implemented at pace, with ¥437.8 billion (73% of the total) already invested, and the biggest areas of increased investment have been R&D, sales expansion efforts, and BCP measures.

Capital expenditures in FY2023:

- Total investment: ¥147.0 billion
- Japan: new refinements to engine and casting plants for BCP and increased production
- North America: investments to increase production of construction machinery and implements

Capital expenditures



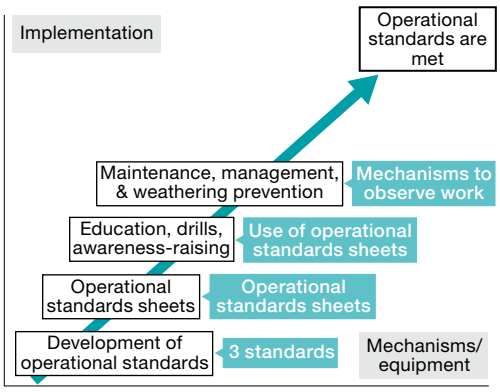
Project to Ensure Thorough Implementation of Operational Standards

In February 2023, we launched the Project to ensure thorough implementation of operational standards with the aim of creating "a situation where operational standards are in place, work is monitored to ensure that it is being performed according to operational standards, and if not, guidance and corrective action can be taken."

Operational standards aim for efficient, productive work that ensures safety and quality but without any unnecessary processes. It should also be the case that anyone, however many times they do a task, should follow the same processes and always arrive at a good result. To make sure this is the case, we use various standards and conduct site patrols, in line with the road map shown here.

We plan to roll out these site patrols to all of our sites (including overseas) by the end of 2025.

Operational standards promotion road map



Hanshin Plant (Amagasaki Business Site)
Taking a new look at the importance of operational standards in ensuring safety, quality, and workability

Sakai Plant
Site patrol underway

Site Patrols by Management

Members of Kubota's management visit site and offer guidance on the ground.

President Kitao provides on-site guidance

KET (Thailand)

Kubota Air Conditioner's Tochigi Plant

5-Gen Dojo Global Conference

In order to bolster the functions of our 5-Gen Dojos, instructors from 5-Gen Dojos inside and outside Japan came together in one place to launch a conference in Japan.

Activity reports from the 5-Gen Dojos

Chris Aratari Head of 5-Gen Dojo North America

I was able to learn about the activities going on at other dojos and discover where my own dojo's activities could be improved. Going forward, I'd like us to use this forum to share information and help one another.

Risk Management

Basic approach

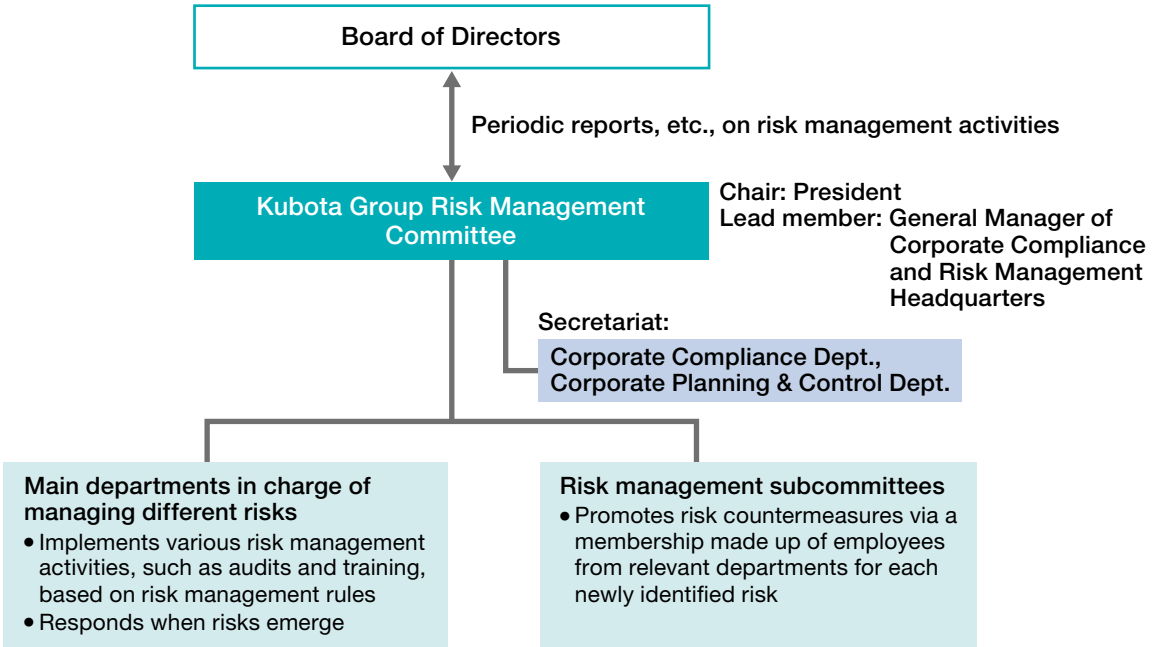
Our basic approach to risk management is one of sustainably and stably enhancing the corporate value of the Kubota Group while promoting management related to risks that could have a significant impact on business operations. Specifically, we have set risk management regulations to regulate how lead departments in charge of managing risks go ahead managing them after appropriate checks. Based on these regulations, we create promotion plans where necessary and enact these, while also auditing the business divisions to ensure their effectiveness.

Our risk management regulations are reviewed as necessary, and we are endeavoring to create a management system that can respond to our ever-changing corporate environment and risks.

Risk Management System

We have established the Kubota Group Risk Management Committee. Its roles include planning, proposing, and conveying important risk management policies and mechanisms, and verifying and approving the results of risk-related activities and activity policies. It also periodically reports details of its discussions to the Board of Directors. Also, given that the social demands on corporate risk management are changing, we need to adapt to those changes. To do so, the committee has taken over existing risk management tasks connected to internal control risks, while also aiming to appropriately understand and counter new risks that threaten to have a major impact on our business operations.

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

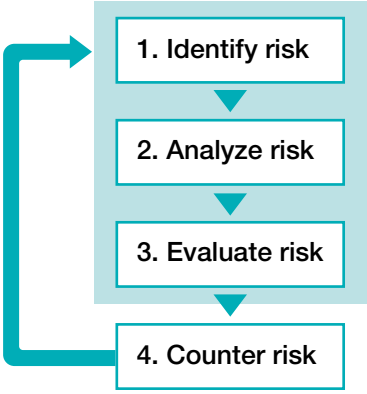


Risk Assessments

Assessment overview

The Kubota Group Risk Management Committee first identifies and analyzes risks associated with the Kubota Group, before evaluating them to determine which risks threaten to have a major impact on business operations, and then implementing countermeasures. A specific example of its activities is the questionnaire it carried out for Kubota managers of department manager rank or higher (including all executives) between November and December 2022.

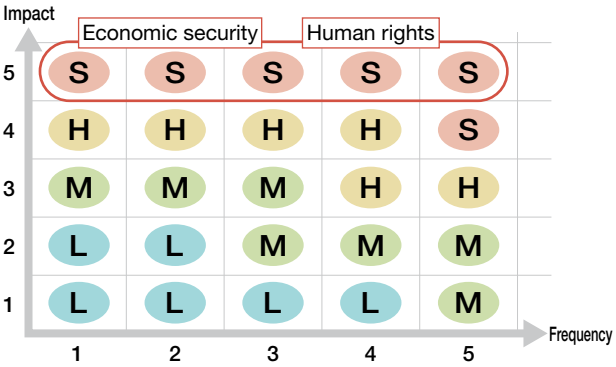
Based on the results of the questionnaire, and taking into consideration factors for each risk such as impact if they occur, likely frequency, and expert opinions, we summarized the risks in a risk matrix.



Priority risks

For risks with a particularly significant impact, we once again held interviews with relevant departments, and investigated and verified the status of risk management activities that are based on risk management regulations and other related regulations. Taking the results into account, we determined that economic security and human rights are areas that require new initiatives, since should something occur, it could have a major impact, and are currently promoting countermeasures.

Risk matrix



* Legend:
S: Severe risk M: Medium risk
H: High risk L: Low risk

Risk Countermeasures

Economic security

We foresee that changes in different countries' policies, laws, or regulations—which could come from tensions in international relations, such as antagonism between major powers or even war—could have a significant impact on our business activities.

For supply chains that could be particularly affected, relevant departments are working together on measures such as diversifying procurement sources to enhance our resilience to this kind of risk. In addition to the above, we are also working to further expand our current measures and management system to address risks related to themes such as employee safety, information security, and trade security.

Human rights

With the current global trend of paying greater attention to human rights, if a human rights risk were to emerge, it could have a significant impact on our corporate value.

As part of our human rights due diligence efforts, we carry out investigations into human rights at in-house workshops related to our value chain, while also running risk assessments that analyze the level of impact, etc. The results of these inform the human rights questionnaires that we submit to business partners to evaluate risk. For high-risk business partners, we conduct interviews, and where a negative impact is discovered, we look into mitigating or corrective measures.

Farm & Industrial Machinery

Farm Equipment and Engines

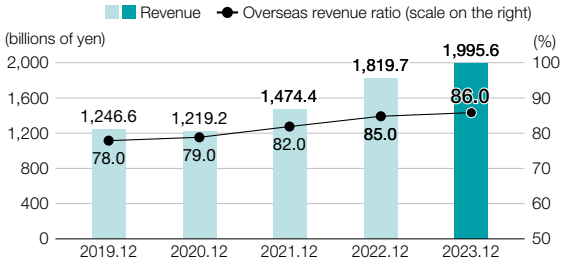
Features of the business and the value we create

We put to use the technologies we have cultivated over many years in the field to create agricultural machinery used in rice and dryland farming. Through our wide range of products, which closely adhere to farm needs, we are supporting farmers and helping with food production worldwide.

Outline of the year ended December 31, 2023

Revenue in this business increased by 9.7% from the previous fiscal year to total 1,995.6 billion yen, 66.1% of our total revenue. In this business, domestic revenue totaled 271.2 billion yen, a 2.8% increase, while overseas revenue also increased by 10.8% to reach 1,724.4 billion yen.

Revenue and overseas revenue ratio



Strengths/source of our competitiveness

There are many reasons why our unique site-oriented approach is praised the world over—not just the value and quality we offer through the durability and ease of use of our agricultural machinery, there is also our ability to understand and attentively respond to farmers' needs, and the services and maintenance we provide to cater to regional characteristics.

We have brought the manufacturing of vital components, such as engines that meticulously correspond to different countries' exhaust gas regulations or needs, in-house. We also construct development systems that meet local needs. This allows for high-variety, small-lot production, which is one of Kubota's unique strengths. Based on the technologies and techniques that we have built up, as well as our deep-rooted mindset of putting on-site needs first, currently many of our products hold a large market share and we are expanding our business all around the world.

FY2023 initiatives

Development of a world-first,* unmanned, automated combine harvester

*As of June 14, 2023, according to Kubota's survey

To resolve the farm management issues that farmers face, such as manpower shortages or how to improve efficiency, we launched the Agri Robo Combine Harvester DRH1200A-A, which can carry out unmanned, automated harvesting operations for crops such as rice or wheat under the supervision of the user. This means all of our big three (tractors, rice transplanters, and combine harvesters) will now have unmanned automated operation models in their lineups. The DRH1200A-A is equipped with AI cameras and milli-wave radar, which allows it to differentiate crops to be harvested from people and to stop when needed. This allows even inexperienced users to perform harvesting work as well as experienced ones.

Making KSAS (Kubota Smart Agri System) user-customizable

We opened the KSAS Marketplace, a website where users of the KSAS farm management support system can acquire additional KSAS functions or other companies' farm-management-related apps that help with their own individual farm management needs.

By promoting projects with multiple companies or cooperation with other companies' systems to offer a wide range of apps and services that benefit farm management—whether they are Kubota products or not—we have provided, via KSAS, an environment where it is easy for user to seek out and introduce functions and apps that meet their individual needs. In this way, we help to further spread and enhance smart agriculture in Japan.

KSAS
KUBOTA SMART AGRI SYSTEM

Construction Machinery

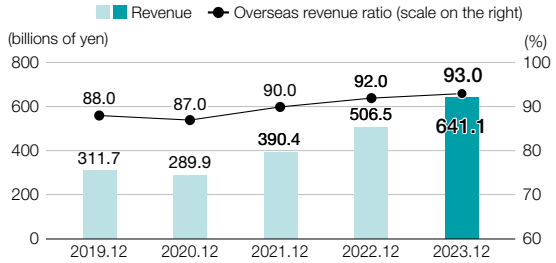
Features of the business and the value we create

As a leading company in compact construction machinery, we are contributing to better living environments around the world by providing mini excavators—for which we have been no. 1 for sales since 2002—as well as compact track loaders and skid steer loaders, for which demand is very high in North America.

Outline of the year ended December 31, 2023

Revenue in this business increased by 26.6% from the previous fiscal year to total 641.1 billion yen, 21.2% of our total revenue. In this business, domestic revenue totaled 44.5 billion yen, a 15.0% increase, while overseas revenue also increased by 27.5% to reach 596.6 billion yen.

Revenue and overseas revenue ratio



Strengths/source of our competitiveness

We have come to lead the world as a specialist manufacturer of compact construction machinery, which is optimally sized for urban environments that require superior maneuverability. These bring together the advanced, specialist technologies that we have built up over many years, as well as cutting-edge robotics and the skill of our experienced engineers.

One of their biggest strengths is their operator-friendly functionality and ease of use, and to achieve this we carry out development optimized to each country's circumstances and local needs. We have also brought the manufacturing of vital components, such as engines that meticulously correspond to different countries' exhaust gas regulations or needs, in-house. The designs have also been highly praised around the world for the consideration they pay to urban development worksites and users.

FY2023 initiatives

Developing an electric mini excavator for the European market

In 2021, as part of our Environmental Vision, we declared our target of reaching carbon neutrality by 2050, and since then we have been striving to decarbonize our power sources. Europe is a leading region when it comes to environmental efforts, and greater needs for highly environmentally friendly products are becoming apparent there. To address this, we have developed the Electric Mini Excavator KX038-4e, a Kubota first, for the European market.

By introducing this product to the market, we will deepen our understanding of issues users face, and continue to enhance our lineup of environmentally friendly products.

Local production of compact track loaders in North America

The North American compact construction machinery market is a particularly large one, and here we are leveraging our agricultural machinery sales network to sell products such as mini excavators and compact track loaders. With the region's robust housing demand and chronic manpower shortages, the sales of construction machinery are expanding steadily. We are therefore moving ahead with local production of compact track loaders for use in North America, and strengthening our systems so that we can supply products in a timely fashion so as to meet this increasing demand.

Locally led development is also progressing, and we aim to expand our business through expanding our product lineup and utilizing integrated management that combines development, production, and sales.

Water & Environment

Water & Environment

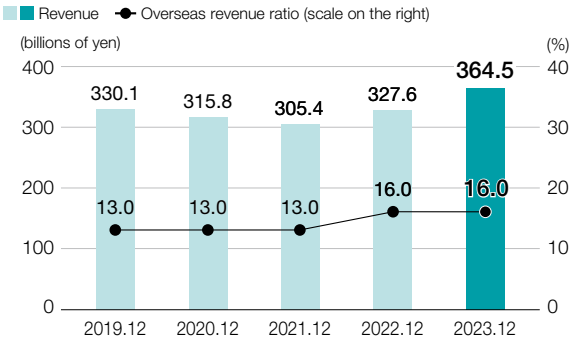
Features of the business and the value we create

Through our pipe system business, we offer total support for water infrastructure inside and outside Japan. We also provide solutions to encourage the recycling of water resources and waste, and in this way, we are contributing to the creation of living environments that are kind to the planet while offering peace of mind and comfort to those that live there.

Outline of the year ended December 31, 2023

Revenue in this business increased by 11.3% from the previous fiscal year to total 364.5 billion yen, 12.1% of our total revenue. In this business, domestic revenue totaled 307.9 billion yen, a 11.3% increase, while overseas revenue also increased by 11.0% to reach 56.6 billion yen.

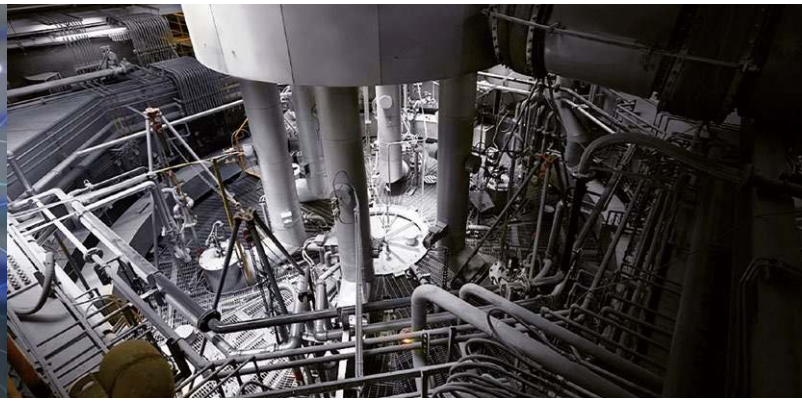
Revenue and overseas revenue ratio



Strengths/source of our competitiveness

Thanks to the strength of the Kubota brand—itself backed up a history of products and technical development that leads our rivals in the water-related market with innovative earthquake-proofing and water-processing technologies, as well as a rich track record of delivering—we possess a high market share for a wealth of products, including ductile iron pipes and submerged membrane units. We are also a world-class water-related comprehensive company that can provide total solutions that combine design, procurement, construction, and management, and we possess an extensive lineup of products in water-related fields.

Moreover, we have a track record of processing illegally dumped waste from Teshima and radioactive waste from Futaba, as well as the incineration and melting technical capabilities that enabled this.



FY2023 initiatives

Development and launch of our KSIS (Kubota smart infrastructure system) platform

We have developed and begun to offer two major services: KSIS Blue Front, a comprehensive platform for more efficient operations, maintenance, and management of water and sewage facilities, and Piprofessor, a water infrastructure works system that offers a service that achieves DX for creation tasks for blueprints and other documents that come with water infrastructure works.

Many bodies in the business suffer from economic difficulties or a shortage of workers, while those involved in construction and maintenance works face issues of manpower shortages and how to pass on technical skills. For these, we are helping to bring about safe, secure, and sustainable water infrastructure by providing solutions that support O&M tasks for water and sewage facilities or update projects for dilapidated water pipelines.

Entry into the battery materials market

Putting to use the specific technical skills and expertise we have gained in the development and production of materials such as potassium titanate (TXAX), in the latter half of 2024, we will begin manufacture of titanium-niobium composite oxide, a material that can be used in anodes for lithium-ion batteries, and enter the battery materials market.

Titanium-niobium composite oxide is a material that can enable longer service lives for batteries, as well as superior rapid-charging. Expectations are growing for more capable lithium-ion batteries as the electrification trend continues, such as in the moves to EVs, by producing this next-generation battery material, we will play a part in making society carbon-neutral.

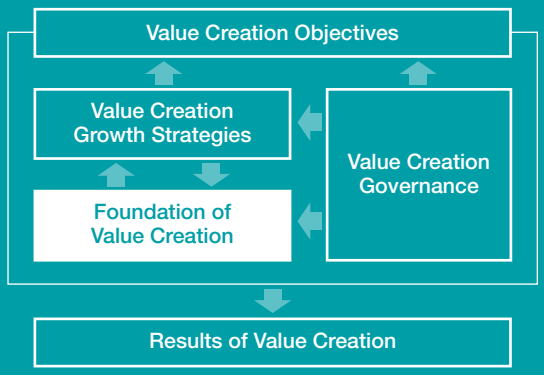
Chapter

03

Foundation of Value Creation

Overview

In this chapter, we cover the initiatives needed for environmental and social sustainability that form the basis of our value creation. In terms of our environmental initiatives, we report on our Environmental Vision, which acts as our goal for 2050, and our roadmap to carbon neutrality.



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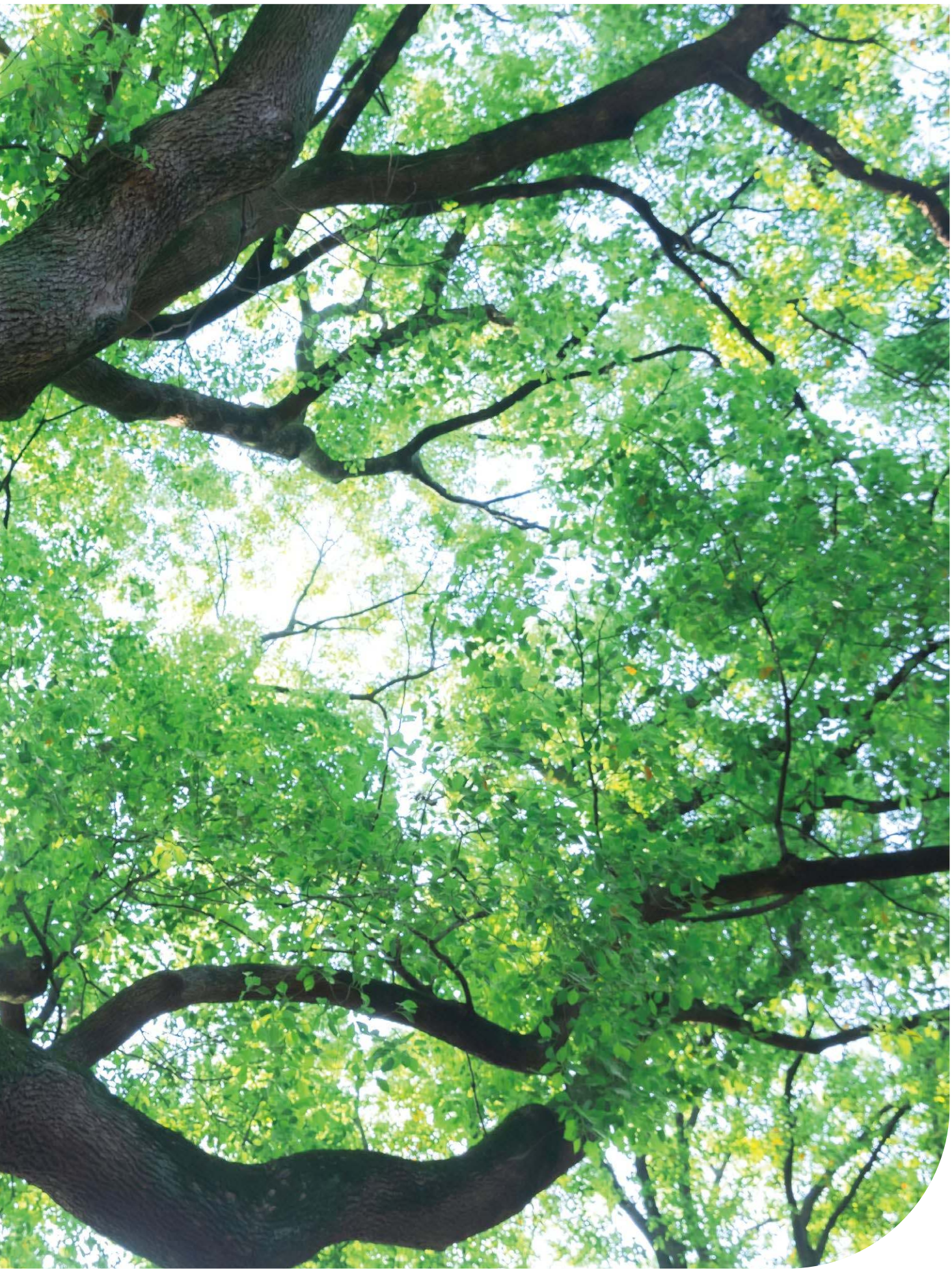


Environmental Initiatives

Using Our Technologies for a Carbon-Neutral and Resilient Society

Koichi Yamamoto

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

Message from the person in charge

At the Kubota Group, we are working to achieve the Environmental Vision and medium- and long-term environmental conservation targets. One in particular is our goal of carbon neutrality, for which we are implementing energy-saving activities and striving to expand our use of renewable energy so as to reduce CO_2 emissions from our sites, while still expanding our business around the world. In terms of products and services, we are focusing on efficiency improvements for farming, electrifying agricultural and construction machinery, and developing hydrogen engines and other technologies. Looking out over society as a whole, we can see that the forecasts from scenario analysis based on TCFD recommendations for risks such as the tightening of climate-related regulations or the growing frequency of extreme weather disasters are coming true.

We have to work to foresee such risks, and to come up with new reforms that are not just an extension of current efforts to meet the ambitious targets of our Environmental Vision. The Kubota Group will come together as one to continue addressing issues in the future.

Environmental Vision

—Target Situation toward 2050 from an Environmental Perspective—

While challenging to achieve zero environmental impact, we will contribute to realizing a carbon-neutral and resilient society in the fields of “food, water, and the environment.”

We have declared our intent to achieve carbon neutrality, in other words net zero. Our efforts in this area are not something that can be successful if only one section of society—such as certain regions, customers, partner companies, or employees—pays due consideration for the future of the global environment. Even if we make repeated mistakes, we will continue to take on new challenges, and the idea that all employees will endeavor to make the lives of those in 2050 and beyond even better is something we have woven into our Environmental Vision.

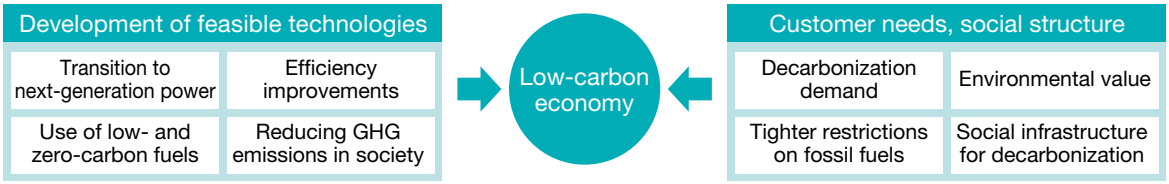
TOWARDS NET ZERO

This symbol denotes our initiatives to realize carbon neutrality

Roadmaps and initiatives toward a low-carbon economy

By 2030, the subject of climate-related analysis, we believe that in some regions there will be progress toward electrification and the use of low-carbon or carbon-free fuels. At the same time, there will continue to be demand for industrial machinery, such as the agricultural and construction machinery that we provide, that is powered by combustion engine. To help with the transition to a low-carbon economy, we will need to develop products that match an age in which carbon neutrality has become the leading goal, and must meet customers' growing needs and build social infrastructure.

There are many potential options for the power sources we could use in 2030 and beyond, and at the moment we believe we should be looking at all directions, and so we have created the roadmap below to show how we will respond to climate change.



Roadmap to carbon neutrality

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

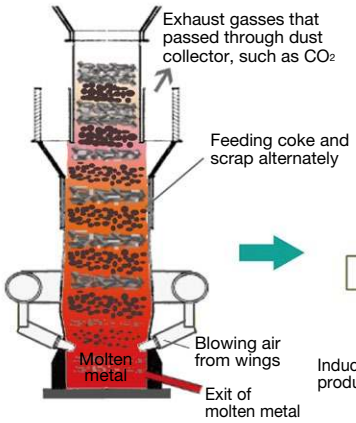
Environmental Initiatives

Initiative 1 Decarbonizing Production Processes with Electric Furnaces

Changing from coke-fired furnaces to electric-powered ones to reduce CO_2 emissions

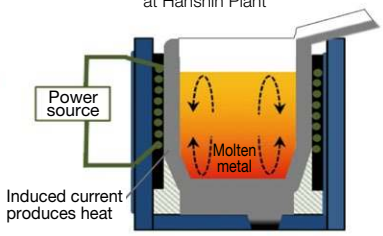
At the Kubota Group, we are moving away from cupola furnaces that burn coal-derived coke to produce the heat to melt iron and toward electric furnaces. This change is already underway at the Okajima Business Center, which manufactures cast metal products such as engine crank cases, and the Hanshin Plant, which creates cast iron water pipes.

Since cupola furnaces burn coke, this is one of the major sources of CO_2 emissions. The large-scale heat exchangers and dust collectors attached to the cupola also consume a large amount of electricity. Electric furnaces, meanwhile, use electromagnetic induction, where an electric current is passed through metal, and the metal's inherent electrical resistance causes it to heat up, the heat of which can melt iron. By switching to electric furnaces, we will reduce our annual CO_2 emissions by around 26,000 metric tons. In this way, it will make a massive contribution to the decarbonization of our production sites.



Structure of cupola furnace

Electric furnace introduced at Hanshin Plant



Structure of induction crucible furnace

Initiative 2 Aiding Moves to Carbon Neutrality with Engine Solutions

Details of our engine solutions Click

Industrial engine needs diversify

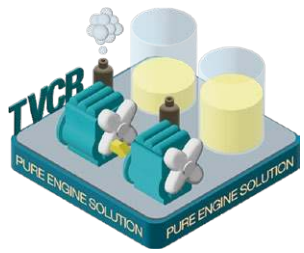
The engines that we produce are mounted on industrial machinery, including agricultural and construction machinery and generators. Such machinery is often used in harsh environments or for tasks with heavy loads, so our industrial engines also need the durability to tackle these. Internal combustion engines are ideal for working under such conditions, and so we expect they will continue to be used for agricultural and construction machinery in the future. On the other hand, societal needs for carbon neutrality are growing, and so the types of industrial engines needed are diversifying.

Three combustion engine solutions that can help to address issues faced with industry efforts toward carbon neutrality

Pure engine solutions involve improving the combustion efficiency of our engines to reduce the CO_2 emissions from engine use. Hybrid solutions utilize an electric motor, which means the engine can be downsized to reduce exhaust gas emissions.

Fuel solutions use engines with alternative fuels that produce less CO_2 emissions. Our diesel engines are already able to use hydrotreated vegetable oil (HVO), and we are currently developing engines that use hydrogen as a fuel source.

Pure engine solutions

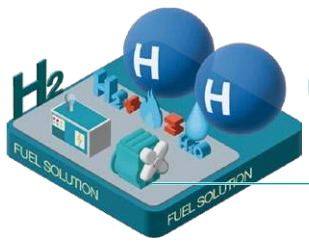


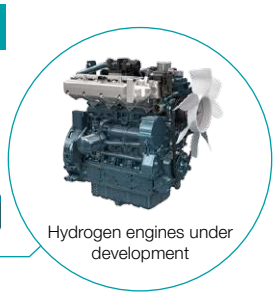
Reduction of CO_2 emissions through combustion efficiency improvements

Hybrid solutions

Downsizing the engine and lowering fuel consumption by using a motor to supplement output

Fuel solutions





Hydrogen engines under development

Addressing demand for low-carbon and decarbonized fuels such as hydrogen, natural gas, and ethanol

Initiative 3 Helping to Lower GHG Emissions by Extending Rice Paddy Mid-Season Drainage

Agriculture affects climate change and is reliant on climatic variations

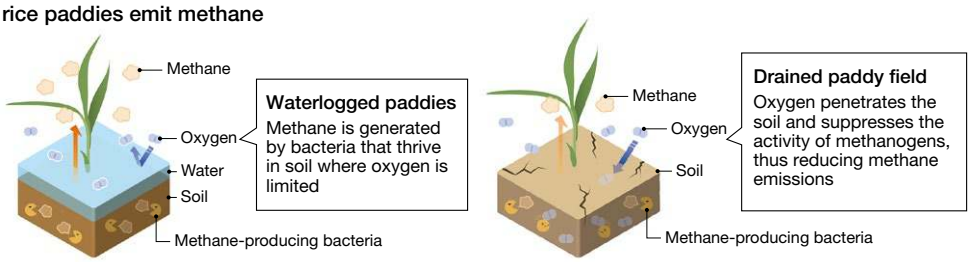
Globally, agriculture produces methane equivalent to 150 million t-CO_2e each year, and rice farming in Japan is calculated to contribute around 12 million t-CO_2e. Agriculture is susceptible to the impacts of climate change, with rising temperatures and changes in rainfall affecting crop yields. Given the expectation of higher food demand in the future due to population growth and economic development, we consider it necessary to lower greenhouse gases (GHG) generated from agricultural practices.

Credit program to speed up controls on GHG emissions

One of the Kubota Group's measures to achieve carbon neutrality is to provide solutions that control the amount of GHG emissions that a society, including farmers, produces. Using the J-Credit scheme by extending the mid-season rice paddy drainage period, we offer a service that enables agricultural producers to reduce the methane gas emissions, and to turn GHG reductions into credits. After registering our project with the J-Credit scheme, in June 2023 we began efforts with producers and by March 2024 around 1,700 t-CO_2e of reductions had been authenticated. In addition, to encourage use of the scheme, we established Kubota Daichi-no-ibuki as an association to operate and manage the credit creation project.

Using our KSAS or WATARAS services, project participants can lessen the burden on themselves, while also contributing to GHG reductions. Moreover, these agricultural producers can earn credits to gain greater revenue, even as they control their GHG emissions.

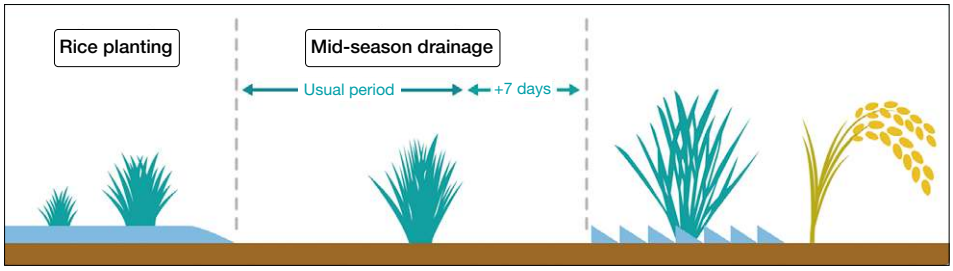
How rice paddies emit methane



Mid-season drainage period can be easily extended with WATARAS, Kubota's water management system

WATARAS utilizes ICT to enable users to remotely monitor water management at their paddies via smartphone or other device, and to control the water supply automatically. By setting water levels in advance, WATARAS's water measurement function means users can maintain a fixed water level without needing to visit the paddy in person. Employing the scheduling function, they can easily set water management details, including the length of time the paddy is left dry during mid-season drainage. These features reduce the amount of labor and water required for paddy field water management.

Extension of mid-season drainage



WATARAS

Mid-season drainage is the wet-rice farming practice of draining the paddy field of water and drying out the soil in order to adjust the growth of rice plants by preventing root rot and controlling excessive tillering. By extending the traditional length of time the paddy is left dry by one week, the soil can absorb more oxygen and repress the activity of methane-producing bacteria, thus reducing methane emissions by around 30%.

Details of the Kubota J-Credit support service, Daichi-no-ibuki (only in Japanese) Click

Environmental Initiatives

Details of our TCFD disclosure Click

Disclosure based on TCFD recommendations related to climate change responses

Governance and Risk Management

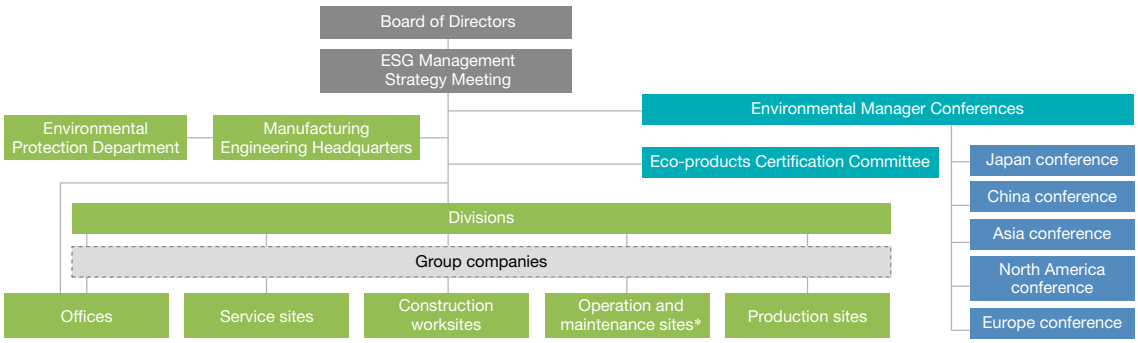
In 2021, with the objective of realizing our own ESG management, that committee was reorganized as the ESG Management Strategy Meeting to engage in discussion of ESG-related issues on a Group-wide basis. In addition, Environmental Manager Conferences are held in each of the five regions—Japan, China,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

The ESG Management Strategy Meeting is chaired by the president & representative director and attended by all inside directors, directors in charge of business divisions, the director in charge of finance, the director in charge of human resources, the director in charge of R&D, the director in charge of manufacturing, the director in charge of environmental management, and the general manager of the Corporate Planning & Control Department. The meeting participants discuss the medium- and long-term direction of environmental management in light of global environmental issues such as climate change and the business environment. They also decide on plans for key initiatives aimed at reducing environmental impacts and risks, and enhancing the lineup of environment-friendly products. The results of the meetings are reported to the Board of Directors and the Executive Officers' Meeting, and are distributed throughout the Group. It also promotes management based on the plan-do-check-action (PDCA) cycle by assessing and analyzing the progress of the entire Group's environmental conservation activities and reflecting the results when formulating new plans and policies. The ESG Management Strategy Meeting was convened four times in FY2023 to discuss environmental issues.

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

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

Environmental management promotion framework



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

Trajectory of climate change responses

2020	2021	2022	2023	2024
• Supporting the recommendations of the TCFD • Examining scenario analysis results before formulating an environmental vision • Formulation of Medium-Term Environmental Conservation Targets 2025	• Formulation of the Environmental Vision toward 2050 • Launch of the ESG Management Strategy Meeting • Examining business domain risk and opportunity analysis results	• Revisions to Long-Term Environmental Conservation Targets 2030 • Disclosure of climate change strategies for the agricultural machinery and water-related businesses • Reflection of ESG evaluation in executive remuneration system	• Disclosure of scenario analysis results for all businesses • Expanded disclosure of roadmaps and financial impacts • Revisions to Medium-Term Environmental Conservation Targets • Deliberation of strategy for expanding use of renewable energy • Disclosure of results of analysis based on TNFD recommendations	• Registration as a TNFD Adopter

Metrics and targets

The Kubota Group has set Medium- and Long-Term Environmental Conservation Targets aiming to reduce the risks and expand the opportunities due to climate change and is working to achieve these targets. Furthermore, we calculated performance data on CO_2 emissions (Scopes 1 and 2) at the Group's global sites (production and non-production sites) and upstream and downstream CO_2 emissions (Scope 3) and disclose our results for the past years. Since 2023, in addition to our main disclosure data, we have newly received a third-party assurance for Scope 3 Category 11 (Use of Sold Products) CO_2 emissions, and we are working to improve accuracy.

Details of our Medium- and Long-Term Environmental Conservation Targets Click

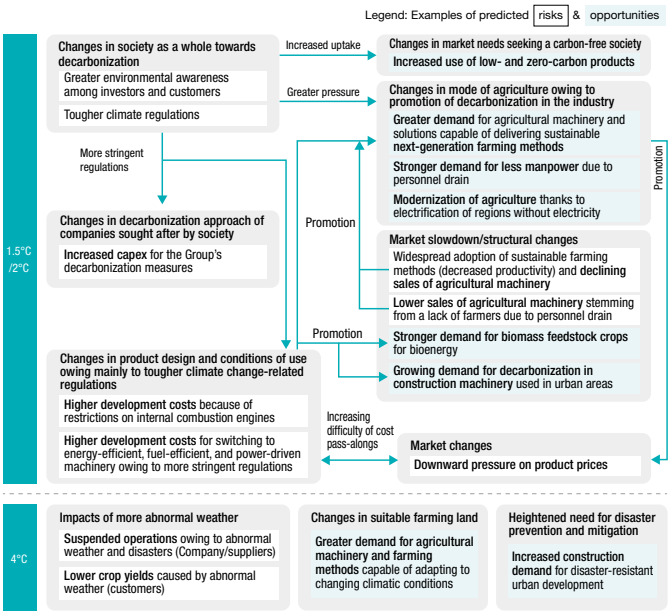
Strategy

Predictions for 2030 and a world impacted by climate change

Farm & Industrial Machinery

In the future, we anticipate that the push for greater diversification of power sources will gain increasing momentum in the field of industrial machinery. In the long term, the use of electricity and low-carbon or zero-carbon fuels is expected to expand, but industrial machinery is required to operate for long hours on construction or agricultural work, and the machinery is expected to be used even in areas when electrical charging infrastructure is not yet in place. In 2030, while electrification and the use of carbon-free fuels will be progressing in some regions, we believe that there will still be demand for products that rely on fossil fuels. Additionally, changing weather conditions will have different levels of impact on crop yields depending on the crop or region. Changes in rainfall patterns or temperatures will also affect change in environments around farms, so agriculture will also be called on to adapt to climate change.

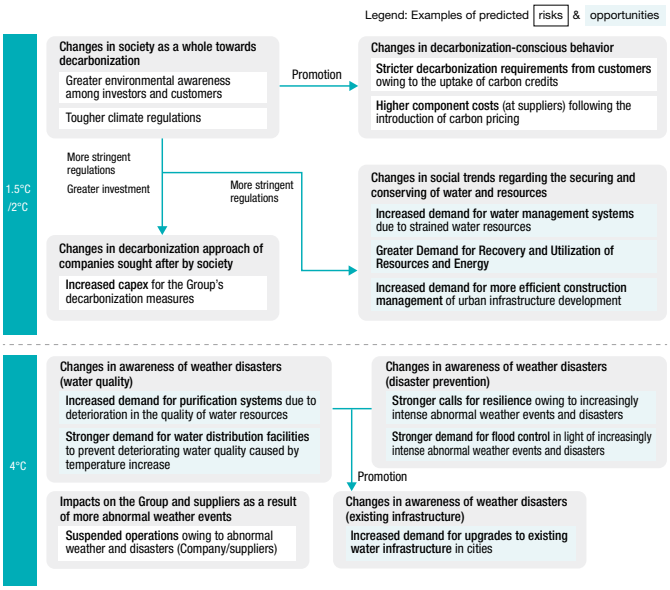
The World around 2030 with Respect to the Farm & Industrial Machinery Business



Water & Environment

The use of mineral resources is predicted to increase as populations grow and economies develop. At the same time, awareness of concepts like decarbonization and circular economies is becoming more prevalent throughout society, and so efforts to recycle—and thereby avoid mining for new resources—will likely pick up pace. Equally, demand for water resources will grow and this will probably bring with it tighter regulations on water resource management. Under the 4°C scenario, water stress would rise significantly in areas such as Japan, China, North America, Europe, the Middle East, and South Asia, and this will impact agriculture and everyday life. There is also the possibility that the frequency of weather-related disasters will rise, and this could damage water quality. The social infrastructure that supports people's lives is another area that will need to be adapted, such as by developing urban environments that are resilient to weather-related disasters and managing water resources.

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



Resilience evaluations for climate-related strategies

We are steadily pressing ahead with our transition plan to counter anticipated risks and seize business opportunities. Based on the results of our scenario analysis that universally applies to both our Farm & Industrial Machinery and Water & Environment businesses, we believe our operations will remain viable under any scenario. By taking the initiative to flexibly adapt to changes in society as a whole, including climate-related regulations, the development of social infrastructure, market trends, and technological advancements, we believe we possess sufficient resilience to transition towards economic activities that demand carbon neutrality. Going forward, through our business operations, we will continue to provide products and services that contribute to solving climate change issues and help bring about a decarbonized world. Going forward, through our business, we will provide products and services that help mitigate or adapt to climate change, and so secure sustainable businesses while also assisting in drives toward carbon neutrality.

Environmental Initiatives

Scenario analysis results

Based on population growth and economic development, we evaluated the anticipated impact on business in 2030 using 1.5°C/2°C and 4°C scenarios published by IPCC, IEA, etc.

Business field	Scenario	Summary of TCFD scenario analysis results (changes in markets and the business environment)		TNFD-related scenario
Farm & Industrial Machinery	1.5°C/2°C	Risks [Technologies] Opportunities [Products]	**Changes in product design and conditions of use owing mainly to tougher climate change-related regulations** ● Controls on fuel-efficiency improvements in internal combustion engines will be further tightened up ahead. ● Japan, the US, and European countries have announced carbon-neutrality roadmaps for around 2050 and the transition to electrification and BEVs in the passenger car market in particular is gaining momentum ● New regulations and similar will be applied to products that use internal combustion engines, like agricultural and construction machinery and utility vehicles, and that the need to reduce CO_2 emissions will grow stronger and demand for electrification, fuel cells, low- and zero-carbon fuels (hydrogen engines and synthetic fuel engines), and other power sources will grow increasingly diversified. ● For large machinery not suited to electrification because of the requirement for long operating hours and higher power, products with internal combustion engines will be used. The use of low- and zero-carbon fuels in internal combustion engines will also increase.	
		Opportunities [Markets]	**Changes in market needs seeking decarbonized products and services** ● Market demand will increase for new value nonexistent in construction machinery, lawnmower, and utility vehicle products with internal combustion engines. For example, reduced noise pollution, no refueling hassles, and indoor use. ● Depending on the fuel supply infrastructure in the region, demand will grow stronger for products equipped with a gas/hydrogen engine or a hybrid engine that runs on low- or zero-carbon fuels.	
			Changes in mode of agriculture owing to promotion of decarbonization in the industry ● Crop yields will increase as farming technology advances and the effective use of farming land is further encouraged as a measure to adapt to climate change. ● Decarbonization in agriculture will continue to gather momentum in developed economies and the adoption of sustainable farming methods will become more widespread. ● Decarbonization and modernization of agriculture in emerging economies will progress concurrently and give rise to smart farming and farming solutions, which in turn will spur demand for energy-efficient agricultural machinery. ● Demand will grow stronger for carbon-free farming methods, such as non-tilled cropping, that lead to increased carbon storage in the soil.	
	4°C	Opportunities [Resilience]	**Changes in suitable farming land (changes in demand for agricultural machinery and farming methods)** ● Climate change will affect the relocation of suitable farming land and crop production ● Demand will increase for farming solutions and support on transitioning to new agricultural machinery and farming methods, including smart machinery and precision agriculture. ● Changes in demand for farming solutions are emerging in wet climate regions, especially North America, Asia, and some parts of Europe.	
Water & Environment	1.5°C/2°C	Opportunities [Markets]	**Changes in social trends regarding the securing and conserving of water and resources** ● Ongoing population increase and economic development will further drive up demand for water ● Restrictions will be enforced on the intake and discharge of water for household and industrial use in developed countries and Asia as a preventive measure against stretched water resources and deteriorating water quality owing to the impacts of climate change. ● Demand will increase for solutions that resolve water shortages and poor water quality.	
		Opportunities [Resource efficiency]	**Changes in social trends regarding the securing and conserving of water and resources** ● Demand will rise for solutions that facilitate the effective utilization of energy and resources, such as the use and exploitation of rubbish and agricultural waste, as well as the recovery of energy from previously unused small-scale hydropower. ● Decarbonization combined with a circular economy will gather momentum, the mining of new resources will be avoided, and the recycling of resources will further increase. ● Demand will grow stronger for solutions that can make the construction of water infrastructure more efficient, primarily as a result of increased urbanization construction work and fewer workers.	
	4°C	Opportunities [Resilience]	**Changes in awareness of weather disasters** ● Climate change is expected to negatively affect people's living environment chiefly because of the more frequent occurrence of typhoons, torrential rain, and other natural disasters, alongside drought and deterioration in water quality. ● Demand will increase for stronger resilience of existing water infrastructure, upgrades of aging facilities, and improvements in water quality in order to combat increasingly intense natural disasters. ● Demand will grow in Japan for water-related products aimed at bolstering national resilience in response to increasingly intense natural disasters as a consequence of climate change.	
Common	1.5°C/2°C	Risks [Regulations]	**Changes in decarbonization approach of companies sought after by society** ● Calls will grow stronger for decarbonization across a product's life cycle worldwide, including the introduction of carbon pricing schemes and carbon border adjustment mechanisms. ● Regulations and measures geared toward decarbonization will gather momentum and the rollout of carbon taxes and impetus for the use of renewable energy will accelerate, thus driving up energy prices. ● Taxes on fossil fuels and CO_2 emissions will increase owing to the introduction of a carbon tax. ● Energy costs and expenses associated with energy-saving measures are expected to rise when governments worldwide enforce stricter energy-saving restrictions	
	4°C	Risks [Physical]	**Impacts on the Group and suppliers as a result of more abnormal weather events** ● There will be increasingly intense and more frequent meteorological disasters like torrential downpours and floods. ● Negative effects on business activities are expected to be felt at the Group's sites and at suppliers. ● Production and sales activities will be affected by delays in procuring raw materials.	

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

Legend: Examples of predicted risks & opportunities

	Evaluation results and financial impacts*1 (2030)		Countermeasure strategies
	• We will need to secure business opportunities in the future by aggressively pursuing R&D of products that offer improved fuel efficiency and can run on various power sources	Medium	**We intend to contribute to the reduction of CO_2 emissions at the product use stage through innovation.** • Continue to bolster hybridization efforts and other R&D activities aimed at improving fuel efficiency of engines most likely subject to tighter restrictions up ahead • Expand our lineup of products that can help bring about carbon neutrality, in keeping with the needs of the market • Accelerate R&D towards the practical application of various power sources, such as electrification, fuel cells, low- and zero-carbon fuels (hydrogen engines and synthetic fuel engines) according to the energy supply situation in each region
	• The impact on revenue of decarbonized products will be limited even though restrictions will have been adopted in some developed regions by 2030	Low to medium	
	• The impact on revenue by 2030 will be limited even though in some lead markets and existing markets there will be customers wanting electrified UVs, lawnmower, and construction machinery and the like	Low to medium	
	• Prospects for higher revenue from mainly agricultural machinery and smart farming solutions that contribute to low- and zero-carbon agriculture	Medium to high	**We will look to help lower greenhouse gas emissions from farming and support sustainable food production activity.** • Propel R&D in products and services that can be adapted to low- or zero-carbon farming practices and changing weather conditions—for example, recycling of local biomass resources and carbon storage—and give tangible shape to farming solutions. • Expand and popularize agricultural machinery and services that make smart farming (automated machinery, precision agriculture, etc.) possible so as to contribute to more efficient farming that requires less manpower • Contribute to the establishment of sustainable agriculture through next-generation crop production to help solve issues in the food value chain with the use of vegetable factories and the like • Expand applications for the following systems that integrate cutting-edge technology with ICT to contribute to greater farming efficiency: Kubota Smart Agri System (KSAS), a system that supports farm operations; Kubota Smart Infrastructure System (KSIS), an IoT solutions system; and WATARAS, Kubota's farm water management system
	• Prospects for higher revenue from agricultural machinery and farming solutions that can be adapted to changing weather conditions.	Medium to high	
	• Prospects for higher revenue from products and solutions in connection with the development of water and sewage infrastructure	Medium to high	**We intend to contribute to the effective use of various resources (water, energy, minerals, etc.).** • Contribute to the development of water and sewage infrastructure to meet increased water demand • Expand offerings of purification and sewerage treatment products and solutions to help improve water quality • Manufacture and promote the use of biofuels derived from mainly agricultural waste, household waste, and sewage sludge so as to contribute to the development of resource recycling schemes in communities • Promote the development of "deep recycling technology" that utilizes waste plastic as an energy source to recover valuable metals from discarded home appliances and other so-called "urban mines," reduce the volume of waste destined for landfill. • Promote the effective utilization of resources by expanding the use of sewage sludge melting systems to recover heavy metals and phosphorus from sewage sludge. • Expand the use of smart waterworks systems that contribute to energy-savings during water pipeline construction and management
	• Prospects for higher revenue from solutions related to the reclamation/recovery and more efficient use of resources and energy	Medium to high	
	• Prospects for higher revenue from ongoing demand for products and solutions in connection with the development of more resilient water infrastructure, disaster response measures, and water quality improvements	Low to medium	**We intend to contribute to the building of water infrastructure that is resilient to weather disasters.** • Expand provision of disaster prevention and disaster response products; for example, ductile iron pipes that can withstand disasters, drainage pump vehicles that can meaningfully contribute when disasters occur, and river level simulations and operational management systems in use at drainage locations to prevent disasters. • Expand applications for the Kubota Smart Infrastructure System (KSIS) to support water treatment plant operations and the remote monitoring, diagnosis, and control of equipment
	• Manufacturing costs will rise, driven by increases in Capex to meet decarbonization and energy-saving obligations, as well as higher energy and raw material prices	Medium	**We intend to contribute to the reduction in CO_2 emissions generated by business activities.** • Promote initiatives aimed at conserving energy use, installing energy-efficient equipment, switching to electric furnaces and alternative fuels, installing LED lighting, and expanding the use of renewable energy at production sites
	• An expected carbon tax burden will materialize when emission reduction targets are met as a result of measures taken to save energy and curb CO_2 emissions	Low (approx. ¥2.5 bn*2)	
	• Disaster-related losses may arise as a result of weather disasters	Medium (approx. ¥3.0 bn to ¥6.0 bn*3)	**We will aim to beef up climate change risk countermeasures at the Group's sites and at suppliers.** • Use hazard maps to identify sites that are at high risk of suffering damage from torrential rain, flooding, and strong winds and systematically push ahead with the reinforcement of buildings and measures to prevent electrical equipment from being inundated by water • Decentralize the purchasing of parts and materials by diversifying procurement routes • Construct a manufacturing system that is resilient to weather disasters based on a business continuity plan (BCP)
	• Costs associated with BCP measures for avoiding the adverse impacts of weather disasters could increase	Medium	

*2 Calculated by multiplying the projected carbon tax as of 2030. *3 Calculated with reference to losses stemming from previous weather disasters.

Environmental Initiatives

Disclosure Based on TNFD Recommendations Related to Natural Capital and Conserving Biodiversity

Biodiversity loss has become one of the major global risks, along with climate-related risks. The Taskforce on Nature-related Financial Disclosures (TNFD) published its recommendations in September 2023. In February 2024, we announced our support for the recommendations and were registered as a TNFD Adopter.

The Kubota Group's businesses are supported by many types of natural capital, including living things, plants, water resources, minerals and others. As part of our risk management, therefore, we evaluated our dependency and impact on natural capital, through the lens of the TNFD framework.

Evaluation using the LEAP*1 approach (excerpt)

		Farm & Industrial Machinery Business	Water & Environment Business
Locate		• Rice farming region: Asia • Dryland farming/fruit cultivation regions: Asia, Europe, Americas	• Water stress region: Asia • Natural resource reliance region: Japan
Evaluate		Referred to the ENCORE analysis results shown below	Referred to the ENCORE analysis results shown below
Assess	Risk	• Crop yields could decrease due to less clean water, more storm and flood damage, problems of water quality/soil contamination, etc. • The sales of agricultural machinery could be impacted.	• Sales opportunities could be lost if products and solutions that cannot contribute to the effective use of water or other resources
	Opportunity	• Demand would grow for agricultural machinery or solutions that can improve crop yields • Demand would grow for agricultural solutions linked to more effective use of water, fertilizers, and agricultural chemicals • Sales would grow for agricultural machinery, construction machinery, and solutions that contribute to carbon reductions or decarbonization	• Demand would grow for solutions that make effective management and recycling of water and other resources possible
Prepare		• Provide products that contribute to improved crop yields and optimal fertilizer use • Provide products that prevent overuse of agricultural chemicals and fertilizers • Expand provision of agricultural solutions	• Contribute to development of water infrastructure and water recycling • Provide recycling plants

*1 A four-step evaluation process for nature-related risk and opportunities: Locate your interface with nature, Evaluate your dependencies and impacts on nature, Assess your nature-related risks and opportunities, and Prepare to respond to nature-related risks and opportunities and to report on your material nature-related issues.

Summary of evaluation that uses ENCORE*2 to determine influence and dependency on natural capital of the value chain

Through heat maps, we can see that in the Farm & Industrial Machinery business, the agricultural work that the customers use our agricultural machinery has impacts on soil, water resources, and water/soil quality, and that agriculture itself also depends on these. There is a possibility that the amount of water available for use in agriculture will drop, and that storm and flood damage as well as water and soil contamination will lead to lower crop yields, which will affect agricultural machinery sales. As such, it is vital that we expand our provision of agricultural solutions that lead to more effective water management and fertilizer/agricultural chemical use, as well as agricultural machinery, construction machinery, and solutions that contribute to carbon reductions or decarbonization, so as to lessen agriculture's impact on natural capital. Water-related businesses, meanwhile, particularly depends on water resources and quality, so effective management is key. Taking these findings on board, in the future we will further expand our current efforts in our smart agriculture and other solutions business, and push forward with efforts to lessen negative impacts on natural capital.

Business	Value chain		Factors impacting natural capital							Ecosystem services relied on								
			Freshwater ecosystems	Terrestrial ecosystems	Water use	Water pollution	Soil contamination	Solid waste	GHG emissions	Storm buffer	Ground stabilization	Water circulation	Surface water	Groundwater	Pollination	Water quality	Soil quality	Weather conditions
Farm & Industrial Machinery	Upstream	Component manufacturing	-	-	H	H	H	H	H	M	M	M	M	M	-	L	-	VL
	Manufacturing at Kubota sites		-	-	H	H	H	H	H	M	M	H	H	M	-	L	-	VL
	Down-stream	Irrigation farming	VH	VH	VH	H	H	-	H	H	H	H	VH	VH	H	H	H	H
		Rain-fed farming	-	VH	-	H	H	-	H	H	H	VH	M	-	H	VL	H	H
		Construction work	M	M	M	M	M	H	H	M	M	M	M	M	-	-	L	H
Water & Environment	Upstream	Steel production	-	-	H	-	-	H	H	-	-	M	M	M	-	-	-	VL
	Production of construction materials		H	H	H	M	-	H	H	-	-	-	VH	VH	-	L	-	-
	Down-stream	Water supply services	-	-	-	L	L	-	-	-	L	VH	VH	VH	-	H	M	M
		Environmental services	-	-	-	-	-	M	-	-	-	-	VL	VL	-	-	-	-

Impact and reliance are categorized as VH (Very High), H (High), M (Medium), L (Low), or VL (Very Low).

*2 Abbreviation of Exploring Natural Capital Opportunities, Risks and Exposure; an analytical tool to ascertain how economic activities rely and impact on natural capital

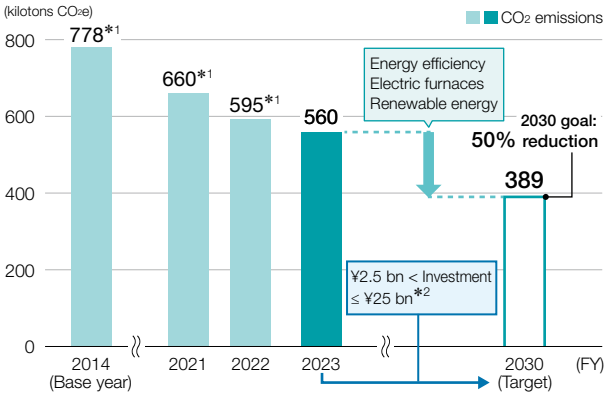
Details on TNFD disclosure Click

The Kubota Group's Environmental Conservation Efforts

Carbon neutrality initiatives at business sites

At the Kubota Group, we have set the challenging goal of net-zero CO_2 emissions by 2050. To achieve this target, we will need to systematically reduce our environmental impact, and so to this end we have established an interim target of reducing Scope 1 and 2 CO_2 emissions by 50% by 2030 (compared to fiscal 2014 levels). Efforts in this area will help to mitigate risks associated with factors such as the predicted introduction and strengthening of carbon taxes or carbon border adjustment mechanisms for fossil fuel use, compulsory uptake of renewable energy, and rising energy costs. We are therefore already moving forward systematically with initiatives such as energy-saving measures at our global sites (switching to more energy-efficient equipment, eliminating energy wastage through more appropriate operational management, etc.), switching to electric furnaces, and expanded use of renewable energy.

Scope 1 and 2 CO_2 emissions reduction targets and results



*1 CO_2 emissions from acquired companies have been adjusted retroactively before the acquisition. The non-adjusted emissions were 714, 613, and 585 kilotons CO_2e respectively.
*2 Figures were calculated during preparation of the transition plan (roadmap) for the increase in equipment investment for measures such as energy-efficiency efforts and the transition to electric furnaces, and so these figures may be revised.

Medium- and Long-Term Environmental Conservation Targets and Results

Details on our Medium- and Long-Term Environmental Conservation Targets Click

Issue	Reporting boundary	Management indicator*1	Base FY	Results for FY2023*3	Target for FY2025*3	Target for FY2030*3	TCFD/TNFD-Related Targets
Mitigating and adapting to climate change	All sites	CO_2 emissions reduction	2014	▲28.0%	–	▲50%	(TCFD) (TNFD)
		Ratio of renewable energy usage	–	15.9%	20% or more	60% or more	
	Global production sites	CO_2 emissions per unit of production (Scopes 1 and 2)	2014	▲46.6%	▲45%	▲60%	
		Energy consumption per unit of production	2014	▲37.8%	▲35%	▲40%	
Working toward a recycling-based society		Waste discharge per unit of production	2014	▲49.7%	▲45%	▲50%	
		Hazardous waste discharge per unit of production	2019	▲11.6%	▲17%	–	
		Recycling ratio (Japan)	–	99.6%	99.5% or more	–	
		Recycling ratio (Overseas)	–	94.9%	90.0% or more	–	
Conserving water resources		Water withdrawal per unit of production	2014	▲36.5%	▲35%	▲40%	
Controlling chemical substances		VOC emissions per unit of production	2014	▲37.9%	▲42%	–	
Improving products' environmental performance	Products	Sales ratio of Eco-Products	–	70.1%	70% or more	80% or more	
		Usage ratio of recycled materials*2	–	90.4%	70% or more	–	

*1 The figures per unit of production represent the intensity of the environmental load per unit of money amount of production. The exchange rate of the fiscal 2014 is used when translating the money amount of production of overseas sites into Japanese yen.
*2 Usage ratio of recycled materials (%) in the cast metal products and parts manufactured by the Kubota Group (ductile iron pipes, fittings, machine cast products (engine crankcase, etc.))
*3 ▲ indicates a negative figure.

CO_2 emissions throughout the value chain

Details on Scope 1, 2 & 3 CO_2 emissions Click

We calculate and disclose CO_2 emissions for Scope 1, Scope 2, and all 15 categories of Scope 3. In addition to disclosing Scope 1 and 2 CO_2 emissions for our production and non-production sites around the world, since 2006 we have calculated Scope 3 emissions. We have also worked to improve the accuracy of the data, through measures such as expanding the boundary of our Scope 3 calculations, receiving third-party assurance for major data points, and utilizing data management systems.

Respect for Human Rights

For us in the Kubota Group, respecting human rights is an important condition for business continuity. It has been at the center of our business management and, through the Kubota Group Charter for Action & Code of Conduct, we have striven to spread its importance throughout the Kubota Group. In 2023, we brought together our approaches to human rights and, in part informed by the UN's Guiding Principles on Business and Human Rights, formulated the Kubota Group Human Rights Policy. In line with the policy, we will promote efforts to fulfill our responsibilities as a company in how we respect human rights, through due diligence and educational activities.

Kubota Group Human Rights Policy (excerpt)

The Kubota Group hereby as its Human Rights Policy that it supports international standards with regard to human rights and respects as the birthright of all people. The Kubota Group respects the human rights of all people affected by its business activities in accordance with the procedures outlined in the Guiding Principles on Business and Human Rights.

Full text of the Kubota Group Human Rights Policy Click

Participation in the UN's Global Compact

We have declared our support for the aspirations of the UN's Global Compact, and have added our name to the list of companies taking part. Participating companies are called on to support the ten internationally proclaimed principles—in the four areas of Human Rights, Labour, the Environment, and Anti-Corruption—and to put these into practice.

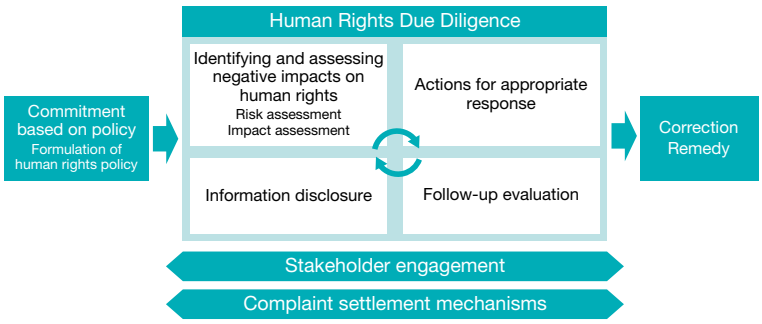
As a company that takes on global initiatives to achieve sustainable growth for international society, we will continue to work to address social issues through our business, while also endeavoring to further fundamental values connected to basic human rights.

United Nations Global Compact official website (external link) Click

Human Rights Due Diligence

To fulfill the responsibility for respecting human rights as a company, the Kubota Group continuously promotes human rights due diligence as we recognize it to be an essential process for business activities.

Human rights due diligence is the process of identifying and assessing any actual and/or potential negative impact, and preventing and mitigating it. The Kubota group carries out the process in accordance with UN Guiding Principles on Business and Human Rights.



Human rights risk assessments

In March 2023, the Kubota group assessed the potential for negative human rights impact on stakeholders in its business activities and value-chains (risk assessment). A risk assessment meeting was held and brought together 32 managers from various departments, including administration, control, procurement, manufacturing, logistics, constructions, and general corporate duties of Kubota Corporation and some Kubota group companies.

The Kubota group considers it necessary to incorporate changing business and social conditions into its continuous risk assessment process. Through the identification of stakeholders who may be affected by negative impact arising from the business activities of the Kubota group and value-chain, and engagement with those parties, the Kubota group shall acquire a deeper knowledge of our salient human right issues and make use of said knowledge to subsequently take appropriate action in that regard.

Promoting Activities That Respect Human Rights

Monitoring by the Kubota Group Risk Management Committee

We believe that respect for human rights is a vital prerequisite for business continuity, and so the Kubota Group Risk Management Committee—chaired by the president—receives reports on human-rights-related initiatives from relevant operating officers and departments, monitors their activities, and offers instruction on appropriate actions.

Human rights education

We carry out human rights education for all Kubota Group executives and employees.

As well as job- and level-specific training for new employees and group training for existing executives and employees, we incorporate e-learning to enhance opportunities for everyone to take part in such training. All Kubota employees (in terms of the total number of participants) in Japan received human rights education through internal training or training offered by external organizations.

Results of Internal Training in 2023

	Internal training	External training	Total
Kubota	20,398 people	308 people	20,706 people
Group companies in Japan	9,491 people	79 people	9,570 people

Human rights education initiatives

In Japan, through Human Rights Advancement Planning & Coordination Committee members at each Kubota site, we carry out training and promotion activities related to respect for human rights. At the beginning of each fiscal year, a meeting is held with committee members from all sites.

Each site also appoints a human rights advancement leader, who works with committee members from their site to implement human rights education activities.

Consultation Office System

As one form of remedial action to prevent or mitigate adverse impacts on human rights in its business activities, Kubota established the Kubota Hotline—a whistleblowing system that includes the use of outside lawyers—and consultation office systems at each of its bases, including those overseas, thereby enabling it to respond swiftly to any issues that may arise.

Details on the Kubota Hotline whistleblowing system Click

Efforts to Address Asbestos Issues

Response to Asbestos Issues

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

Regarding the residents living nearby, without particular regard for individual cause-and-effect relationships, from the standpoint of our social responsibility as a company that previously handled asbestos, Kubota established the Regulations for Payment of Relief Funds to Sufferers of Asbestos-related Diseases and their Families Living in Proximity of the Former Kanzaki Plant. This is in addition to the Act on Asbestos Health Damage Relief, which was enacted by the Japanese government and provides relief funds in order to alleviate, even marginally, the hardships and mental burden of the people receiving treatment and their families.

For more information (only in Japanese) Click

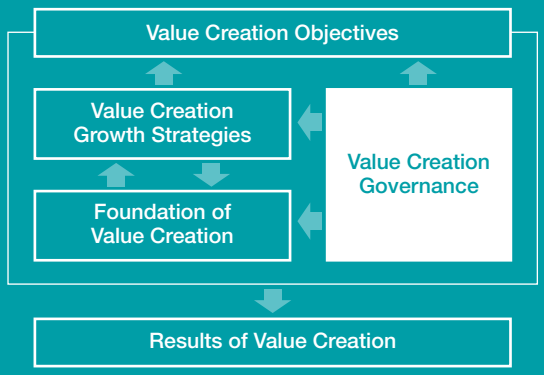
Chapter

04

Value Creation Governance

Overview

This chapter covers topics such as the corporate governance that we use to ensure a sound footing for the Kubota Group and efficient, transparent management. This year, as a special feature, we include a dialogue between our president, outside directors, and an outside auditor, for a discussion how to make the Board of Directors more effective.



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Yuichi Yamada
Outside Audit & Supervisory Board Member

Kumi Arakane
Outside Director

Yuichi Kitao
President and Representative Director

Koichi Kawana
Outside Director

Clarifying the "ideal vision for the Board of Directors" and aiming to further improve its effectiveness

Yuichi Kitao, President and Representative Director, discussed with outside directors and an outside audit & supervisory board member to improve the effectiveness of the Board of Directors.

Current Status and Evaluation of the Board of Directors

Kawana: Looking back on my first year since I assumed the office as an outside director in 2023, my frank impression is that Kubota's Board of Directors is handling all matters with care.

First of all, Mr. Kitao himself explained Kubota's vision and strategy to me when I was appointed. I like that the Board of Directors meetings give meticulous consideration entering into discussion, in that sufficient materials and explanations are provided in advance so we can be fully prepared before attending the meeting.

In addition, there is an atmosphere of respect for outside members' opinions in the board meeting discussions, and I think that board members, including Mr. Kitao, are highly conscious of deepening discussions while respecting diverse opinions.

Suffice to say about issues to be addressed, giving explanation

and approval of matters required by Japan's Companies Act is important for a company with an Audit & Supervisory Board. But I would like the Board of Directors to go beyond that and provide us with more opportunities than ever to discuss higher-level issues, such as the strategic significance of individual investment projects.

In this respect, I would say there is room for change in the nature of the Board of Directors.

Yamada: I have served as an outside audit & supervisory board member for about four years. During this time, I truly feel that outside directors with diverse experience and knowledge from different industries have evolved discussions to make them more substantive year by year. In 2023, in particular, opinions from outside directors were expressed more actively, and inside directors seemed more willing to take them seriously.

While at many companies it is understood that the role of audit & supervisory board members is to audit business execution by directors, at Kubota, it is not limited to that.

Audit & supervisory board members are required not only to audit but also to attend board meetings as "members in the same boat" for enhanced corporate value, and all audit & supervisory board members are working with this awareness.

As symbolized by the Long-Term Vision and the transformation of the Board of Directors, Kubota is at a turning point in its management. Directors and audit & supervisory board members, regardless of inside or outside, must continue to carry out more in-depth discussions by drawing on their respective expertise.

Arakane: I became an outside audit & supervisory board member in 2019 and an outside director in 2021. I have experience with both missions and positions, and think it is rare for a Japanese company to allow audit & supervisory board members to actively speak at board meetings like Kubota; it is a great board culture.

The issue of the information gap between inside and outside directors is often pointed out. In the case of Kubota's Board of Directors, I appreciate that the management provides detailed explanations and future vision on the assumption that there is a gap.

This makes it easier for outside directors to voice their thoughts.

In the board meetings I have attended, I have never had a discussion closed due to time restrictions. I feel that this is another example of Kubota's integrity.

Moreover, we can discuss future issues at the VUDM (Value Up Discussion Meeting),* so I think the board meetings and the VUDMs are functioning quite effectively.

Kitao: Thank you very much for your comments. We had only two outside directors for a while after their participation in management in 2009. This is why we had a long-standing culture where those familiar with the business within the company took on management responsibility.

I took up the director position in 2014, and since 2018, the number of directors and auditors has increased, with four outside directors and three outside audit & supervisory board members now. I honestly feel that our board culture has undergone a major transformation over these nine years.

Behind Kubota's decision to incorporate outside opinions was, I think, a keen sense of crisis that the company may not sustain its operations if it continues with the status quo.

I have also placed a high value on humbly facing outside directors' opinions to change how we manage our business.

Although I only have about a year's experience as the Chairman of the Board, we defined the "ideal vision for the Board of Directors" at last year's VUDM, and starting this year, we will set agendas for medium- to long-term strategies to proceed with discussions.

Mr. Yamada's kind words "members in the same boat" gave me confidence. The other inside directors and I, hand in hand with outside directors and outside audit & supervisory board members, will provide management guidance like a compass for the ship to make Kubota's management even better.

* VUDM (Value Up Discussion Meeting): Held regularly since July 2021 for free discussions among board members and audit & supervisory board members on themes aimed at enhanced corporate value.

Kumi Arakane
Outside Director

Issues to Be Aware of in Conducting Discussions

Kawana: Within the limited time of a monthly board meeting, it is not easy to ensure that resolutions on matters to be approved are made, in addition to carrying out thorough substantive discussions on management issues. With this in mind, the use of VUDM will become increasingly important going forward. The most important issue above all is to clarify the vision of top management and put it into organizational action, and the board meetings and VUDMs should function as forums for such discussions.

One of the missions of outside directors is to encourage management to take risks. Since sustainable growth requires taking on new challenges and entering unknown fields, outside directors should also give management a supportive push.

It is also important for outside directors to use their experience and knowledge to identify issues that internal members alone may not be aware of but need to be considered when taking risks, thereby developing an environment that facilitates risk-taking. From this perspective, it is also necessary to discuss at board meetings and VUDMs the approach to risk management at a high level, ideal approaches to risk-taking, and other matters, rather than taking up issues one by one.

Yamada: As Mr. Kawana said, the role of outside directors is becoming increasingly important. Outside directors exercise their voting rights on proposals, and when important proposals related to business execution, such as M&A proposals, are approved, those who voted in favor of the proposals are expected to monitor them. I'm afraid that approving proposals and simultaneously supervising them could make those directors come up against dilemmas and could also be a point of contention in institutional design and authority on the executive side. I attend the board meetings and the Compensation Advisory Committee meetings as an observer. As far as I see, the discussions have become more and more fulfilling each year, so I don't think that immediate consideration is necessary, but it should remain as an issue at hand.

Kawana: Regarding governance, we should think about not only the type but also about affinity with the corporate culture. The good point of Japanese companies I think lies in the compatibility of the Analects and the Abacus (ethics and economics), and Kubota seems to be a company that puts more weight on the Analects part. If we were to appoint a manager from outside the company, one with little understanding of the corporate culture of respecting the Analects and only going after profit, they would not be suited to that position. I believe it is the mission of outside directors to encourage someone who embodies the Kubota style to become a leader.

Kitao: As you mentioned, we are making steady progress toward management structure reform, although we are struggling a lot. Since I joined the company, I have been devoted to my duties with determination to "contribute to society through food, water, and environmental businesses." This is a common desire shared by all executives and employees, suggesting that at Kubota the Analects outweigh the Abacus. I believe our efforts in tackling social issues are reflected in our business performance.

However, not solely focusing on the Analects, we will continue to pursue a management and governance structure best suited to situations to realize our Long-Term Vision, thereby achieving both social and economic value.

Arakane: As I see it, we need a lot of discussion to materialize the desire to "contribute to society" that Mr. Kitao mentioned. We need more effort in sharing ideas about what the management's vision is and what is important, both internally and externally. For example, last year, Mr. Kitao and outside directors got together for a free discussion without explanatory materials delivered in advance. These opportunities are critically important, and by deepening the understanding of future visions and management issues, we will be able to manifest the seeds for future discussions at board meetings and VUDMs.

Kawana: In light of the activation and effectiveness of discussions, the board meeting and site visit held in India in 2023 had a strong impact. It gave me firsthand knowledge of the agricultural and construction machinery businesses expanding

with India as a hub. I was also guided through a waterworks exhibition, which helped me better understand not only the pipe system business but also the water supply business. At the Kubota Global Institute of Technology, I got a picture of research and development. At Kubota, a multifaceted company, we need to have multiple perspectives when making decisions. Seeing the worksite is very helpful for outside directors like us to understand the situation. By just looking at materials at board meetings, we can only make limited judgments, so it means a lot to me to have this kind of opportunity on an ongoing basis.

Toward Further Improvement of Effectiveness

Yamada: The outside audit & supervisory board members also have opportunities to have meetings with the President aside from board meetings and VUDMs, a system that is also functioning effectively. In the past, discussions focused on pointing out ongoing problems within the company, but recently have shifted to proactive ones about issues such as global risk management and the creation of mechanisms to strengthen governance. From this year onward, we will discuss with Mr. Kitao building a system to evaluate the Group's risk management and governance system on a global basis based on the same standards.

Furthermore, as we go to sites and audit group companies, we acquire a lot of information, including the concerns of the presidents of each company.

By further utilizing the information obtained through audits as advice to management, we intend to contribute to the enhancement of corporate value.

Kawana: As a manager of an engineering company, I had paid attention to risk management. This experience made me realize the importance of not only mechanisms but also the corporate culture. First, we need a system to visualize and monitor risks. The important thing is that, based on this system, everyone involved in our global businesses has sensitivity to risks, complies with governance, and manages risks with integrity.

As for my thoughts on improving effectiveness, we made an important step by completing agenda settings in the annual schedule of the Board of Directors and VUDM. I believe it made 2024 a significant pivotal year, with the agenda now set as the will of top management and open for discussions throughout the year.

On the other hand, for Kubota to grow as a global company, the next step will be considering management themes, including human resources, from a more global perspective. I will contribute to the enhancement of corporate value by making remarks that incorporate perspectives of other industries.

Arakane: Few issues surrounding business management have immediate answers, and discussions at board meetings and VUDMs will become increasingly important from now on.

The themes here are, after all, our management structure and business portfolio. We are gradually becoming able to discuss these themes. I expect that the agenda set for 2024 and beyond will facilitate deeper discussions, and I will actively participate in the discussions to contribute to Kubota's healthy growth.

Kitao: In 2023, I had a lot of discussions with you all at VUDM on the "ideal vision for the Board of Directors" and asked you to point out what Kubota today is missing to clarify the ideal vision. This led us to set the annual agenda for discussions on medium- and long-term management strategies and issues.

I believe 2024 is a year in which we have taken a big step toward the achievement of governance that functions with monitoring and execution as vital components. However, there is no end to improving its effectiveness and corporate value. I look forward to having thorough discussions, including topics that came to light today, with all members in the same boat.

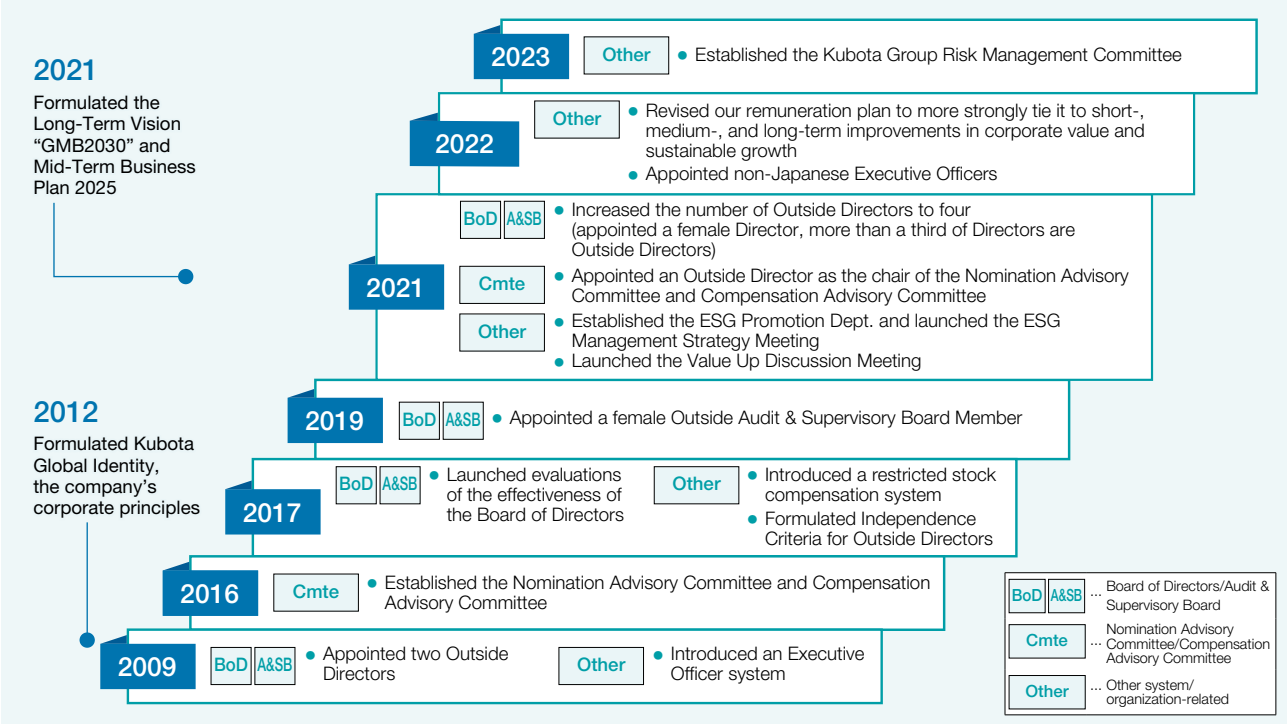
Yuichi Kitao
President and Representative Director

Corporate Governance

Basic Policy of Corporate Governance

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

How we strengthen corporate governance

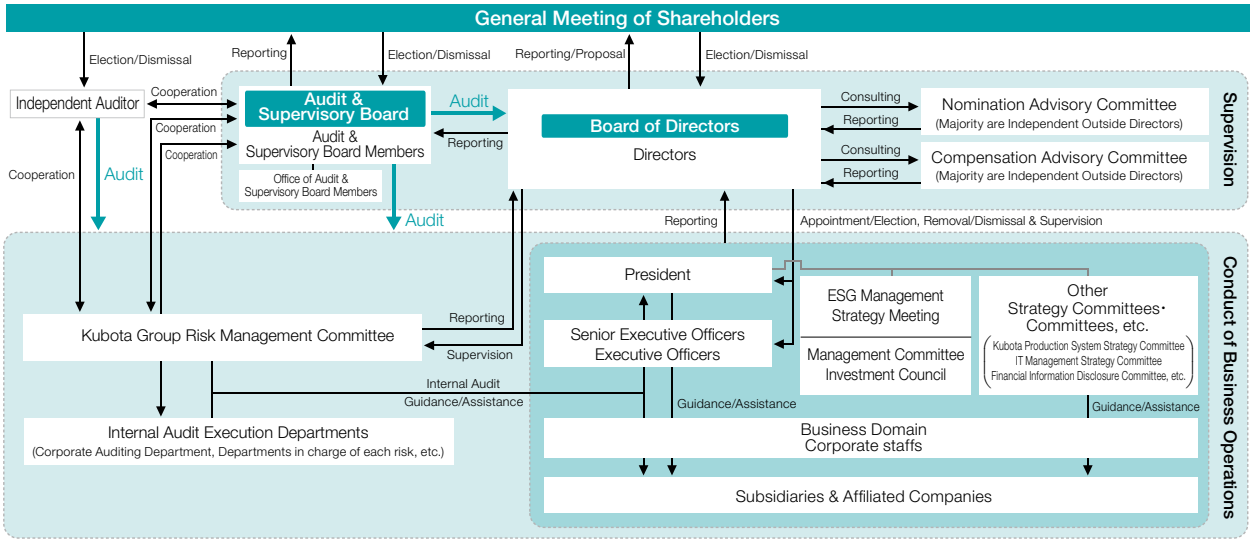


Corporate Governance System

Kubota's attitude to governance, including its approach to designing the governance structure, are summarized and disclosed via the Corporate Governance Policy.

Corporate Governance Policy Click

Corporate Governance Structures (as of January 1, 2024)



Board of Directors

The Board of Directors makes strategic decisions and oversees the execution of duties by the Executive Officers. In addition to its regular monthly board meetings, it also meets as and when needed to discuss and make decisions relating to management planning, financial planning, investment, business restructuring, governance, and other important management issues. In fiscal 2023, it met 13 times. In principle, once a year the Board of Directors meets at a strategically important site inside or outside Japan. The board also visits local sites and work is underway to enhance its deliberations.

In fiscal 2023, the main topics of discussion by the Board of Directors, in addition to those set by laws or regulations, were as detailed below.

Topics of Discussion by the Board of Directors

Management planning	Progress of Mid-Term Business Plan 2025 and management policy
Investment and business reorganization	Business planning, capital expenditure plans, and other important matters related to investment and business reorganization
Governance	Board of Directors effectiveness evaluations, risk management, personnel affairs for directors and members of the Audit & Supervisory Board, personnel affairs for executive officers, and executive remuneration

Audit & Supervisory Board

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 needed. In fiscal 2023, it met 18 times. Its main matters considered by the Audit & Supervisory Board are auditing policies, assignment of duties, status of the design and operation of internal control systems, effectiveness of independent auditors, decisions on whether or not to reappoint them, and audit reports. Its main activities were as detailed below.

Activities by the Audit & Supervisory Board

Attendance to important meetings	Verification of management decision-making processes, status of the internal control environment, and status of initiatives aimed at addressing management issues via attendance at the Board of Directors and the Management Committee
Audits by Audit & Supervisory Board Members	Site visits to business sites, plants, subsidiaries, etc. (including online meetings: 9 sites in Japan, 13 subsidiaries/equity-method affiliates in Japan, and 29 overseas subsidiaries)
	Inspection of key documents such as minutes from important meetings
Cooperation, etc., with independent auditors	Exchange of opinions on key audit matters (KAM)
	Inspection of audit results, etc., at periodic reporting meetings
Cooperation with internal audit execution departments, etc.	Verification of the status of internal controls through information sharing with auditors, internal audit execution departments, and others at Japanese subsidiaries
Exchange of opinions with Directors	Exchange of opinions with the president (four times a year)
	Hearings for business progress from Directors, etc.

Nomination Advisory Committee and Compensation Advisory Committee

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

Nomination Advisory Committee

The Nomination Advisory Committee met three times during fiscal 2023 for the purpose of deliberating the nomination of candidates for director and the nomination of advisors. The committee is also looking at the composition and diversity of the Board of Directors using the skills matrix.

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

Activity Report of the Nomination Advisory Committee

April 2023	Deliberation on the operations of the Nomination Advisory Committee in fiscal 2023
August 2023	Deliberation on the status of succession plan review for the president
	Progress reports on the evaluation sheet of the president
October 2023	Deliberation on candidates for the Board of Directors and advisors

Compensation Advisory Committee

The Compensation Advisory Committee met seven times during fiscal 2023 for the purpose of discussing both the consistency of levels of compensation paid to the directors, executive officers, and advisors, and the adequacy of the compensation system. Under the current compensation system, the committee set competitive remuneration levels appropriate for a GMB, and introduced an evaluation system that is strongly linked to growth over the short, medium and long term in order to realize the Company's Long-Term Vision as set forth in "GMB2030."

Activity Report of the Compensation Advisory Committee

January 2023	Deliberation on the president evaluation for fiscal 2022, and on the president's targets set for fiscal 2023
February 2023	Deliberation on annual bonuses for fiscal 2022
March 2023	Deliberation on setting targets for each evaluation indicator for fiscal 2023
April 2023	Deliberation on the operations of the Compensation Advisory Committee in fiscal 2023
October 2023	Deliberation on selection of comparable companies for compensation benchmarks
November 2023	Reverification of the current remuneration plan and deliberation on setting remuneration levels for fiscal 2024
December 2023	Deliberation on the policy for determination of remuneration for the directors and the remuneration amount for fiscal 2024

Corporate Governance

ESG Management Strategy Meeting, Management Committee and Investment Council

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

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

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

Skills Matrix

Name	Position	Areas of expectation / Specialization								Experience of management at other companies	Attendance at meetings of the Board of Directors	Attendance at meetings of the Audit & Supervisory Board	Attendance at meetings of the Nomination Advisory Committee	Attendance at meetings of the Compensation Advisory Committee
		Priority items related to Long-Term Vision "GMB2030"						Fundamental items for management						
		KPS (Manufacturing)/ Quality control	Global Management	Innovations/ R&D/DX	E: Resolution of environmental issues	S: Contributing to society/Empathy and participation of stakeholders	G: Building Governance	Finance/ Accounting	Legal affairs/ Compliance					
Yuichi Kitao	President and Representative Director		●	●		●					100% (13 of 13)	—	100% (3 of 3)	—
Masato Yoshikawa	Representative Director and Executive Vice President		●				●	●			100% (13 of 13)	—	100% (3 of 3)	100% (7 of 7)
Dai Watanabe	Director and Executive Vice President		●	●	●						100% (13 of 13)	—	—	—
Hiroto Kimura	Director and Senior Managing Executive Officer	●		●	●						100% (13 of 13)	—	—	—
Eiji Yoshioka	Director and Senior Managing Executive Officer	●	●		●						100% (10 of 10)	—	—	—
Shingo Hanada	Director and Senior Managing Executive Officer		●		●	●					100% (10 of 10)	—	—	—
Yuzuru Matsuda	Outside Director		●	●			●			●	100% (13 of 13)	—	100% (3 of 3) (Chair)	100% (7 of 7) (Chair)
Yutaro Shintaku	Outside Director		●			●		●		●	100% (13 of 13)	—	100% (3 of 3)	100% (7 of 7)
Kumi Arakane	Outside Director	●		●		●				●	100% (13 of 13)	—	100% (3 of 3)	100% (7 of 7)
Koichi Kawana	Outside Director		●		●		●			●	100% (10 of 10)	—	100% (3 of 3)	100% (4 of 4)
Yasuhiko Hiyama	Audit & Supervisory Board Member (Full-time)		●					●	●		100% (13 of 13)	100% (18 of 18)	—	—
Masashi Tsunematsu	Audit & Supervisory Board Member (Full-time)				●			●	●		100% (13 of 13)	100% (18 of 18)	—	—
Kazushi Ito	Audit & Supervisory Board Member (Full-time)						●	●	●		—	—	—	—
Yuichi Yamada	Outside Audit & Supervisory Board Member						●	●	●		100% (13 of 13)	100% (18 of 18)	—	100% (7 of 7*) *As an observer
Yuri Furusawa	Outside Audit & Supervisory Board Member					●	●		●		100% (13 of 13)	100% (18 of 18)	—	—
Keijiro Kimura	Outside Audit & Supervisory Board Member		●				●		●		100% (13 of 13)	100% (18 of 18)	—	—

Notes) 1. In the list above, up to three of the major skills expected of each member of the Board of Directors are marked ●. These skills do not represent the entirety of the knowledge possessed by each member.
2. Attendance at meetings of the Board of Directors and Audit & Supervisory Board, and meetings of the two advisory committees held during fiscal 2023 (January 1 to December 31, 2023).
3. Attendance for Eiji Yoshioka, Shingo Hanada, and Koichi Kawana are only for meetings of the Board of Directors and Audit & Supervisory Board, and meetings of the two advisory committees held after their appointment on March 24, 2023.
4. Shingo Hanada was appointed as a Compensation Advisory Committee member on January 1, 2024, and Kazushi Ito as an Audit & Supervisory Board member on March 22, 2024.
5. Executive Officers in charge of the relevant fields attend the meetings of the Board of Directors, depending on the agenda, to provide explanations on those agendas in order to improve the effectiveness of the board.

Directors and Audit & Supervisory Board Members

Selection policy for director candidates

In line with director regulations (selection criteria for candidates for the position of director), we appoint candidates as either directors or outside directors. The former, from within the Kubota Group, must have wide-ranging knowledge and a wealth of experience related to Kubota's business execution. For the latter, candidates must fulfill criteria for independent officers as set by the Tokyo Stock Exchange and independence criteria set by Kubota, and must possess practical, objective viewpoints and a high degree of knowledge. The aim of this selection policy is to ensure that Kubota—as a company involved in a wide range of business areas in the fields of food, water, and the environment—carries out appropriate decision-making and supervision of operations, and that the entire Kubota Group can grow sustainably and improve its corporate value.

Selection policy for Audit & Supervisory Board members

Candidates for appointment as Audit & Supervisory Board members must have the varied experience, knowledge, specialisms, and views needed for appropriate auditing and supervision. In terms of its membership, one member must have sufficient knowledge of finance and accounting, and more than half must fulfill criteria for independent officers as set by the Tokyo Stock Exchange and independence criteria set by Kubota.

Independence criteria for outside directors/Audit & Supervisory Board members, reasons for their selection, and roles expected of them

Independence Criteria and Reasons for the Selection, etc. Click➡

President Evaluation and Training a Successor

Evaluating the president

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

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

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

Training a successor (succession planning)

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

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

Training potential successor candidates

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

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

Evaluation of potential president successor candidates

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

Corporate Governance

Evaluation of the Board of Directors' Effectiveness

To continuously enhance our corporate governance, each year at the end of the fiscal year, we carry out an evaluation of the Board of Directors' effectiveness. The evaluation method used in fiscal 2023 and the results of the evaluation are detailed below.

1. Evaluation method

① Discussions by the Board of Directors (December 2023)

After deliberations by the Board of Directors that took into account the evaluation method and processes that were reviewed when the evaluation was conducted by a third party in fiscal 2022, the evaluation method and processes for fiscal 2023 were determined as follows in ② to ④.

② Questionnaire (December 2023 to January 2024)

All directors and Audit & Supervisory Board members (17 individuals) took part in a questionnaire overseen by a third-party organization.

③ Discussions between outside directors and Audit & Supervisory Board members (January 2024)

Based on the results of the questionnaire mentioned above, five outside directors and six members of the Audit & Supervisory Board discussed the effectiveness of the Board of Directors.

④ Discussions by the Board of Directors (February and March 2024)

At a meeting of the Board of Directors held in February 2024, the results of the evaluation were reported and the board discussed the issues that were identified and the direction of future initiatives. Taking its discussions in February into consideration, in March 2024 the Board of Directors determined action plans for fiscal 2024.

2. Evaluation results

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

Structure:

- The outside directors and outside Audit & Supervisory Board members possess a high degree of specialism and a wide range of knowledge, and their new perspectives or things they have noticed about business execution result in animated questions and observations.
- The active contributions by the Audit & Supervisory Board members, who have a deep understanding of the business, help to perform the board's supervisory functions.
- Everyone who attends meetings of the Board of Directors has mutual respect for one another and discussions are constructive and based on diverse perspectives.

Operations:

- Through the Value Up Discussion Meeting (VUDM), the Board of Directors discusses its roles and functions and clarifies any issues.
- Facilitation by the chairman spurs lively discussion and this contributes to the quality of that discussion.
- A board culture of free and open discussions has been fostered.

▷For main issues identified by the effectiveness evaluation conducted in fiscal 2022, various measures have further raised the board's effectiveness.

Main issues in FY2022	Initiatives in FY2023
Deepening discussions into medium- and long-term growth strategies	Repeated discussions at the VUDM identified themes related to medium- and long-term growth strategies requiring deeper discussion.
Strengthening the functions of the Nomination Advisory Committee	The Nomination Advisory Committee continued discussions on the president succession plan and the composition of the Board of Directors.
Formulating a system for board succession to support a high degree of effectiveness	At the VUDM, members discuss the state of Kubota and its future direction, and clarify the ideal vision for the Board of Directors.

3. Issues and action plans

The main issues identified during the fiscal 2023 effectiveness evaluation and action plans for fiscal 2024 are as follows.

Main issues in FY2023	Action plans for FY2024
Coming up with and implementing discussion themes for the Board of Directors and VUDM	Based on the themes identified in 2023, formulate the annual agenda for the Board of Directors and VUDM and implement this.
Reviewing agenda criteria for the Board of Directors	To enhance the discussion of medium- and long-term strategies, discuss the agenda criteria for the Board of Directors.
Strengthening the functions of the Nomination Advisory Committee	Deepen further discussions related to the composition of the Board of Directors and the president succession plan.

Value Up Discussion Meetings

The Company regularly holds Value Up Discussion Meetings (elsewhere shortened to "VUDM") to provide members of the Board of Directors with opportunities to discuss topics bringing about sustainable growth and increasing corporate value in the medium and long term. The purpose of the meeting is to exchange opinions and share information, and the content of discussions are communicated to the executive as necessary.

In 2023, to make further progress with an issue that was identified in the fiscal 2022 evaluation of the effectiveness of the Board of Directors—formulating a system for board succession to support a high degree of effectiveness—we discussed the ideal vision for Kubota's Board of Directors to achieve the Long-Term Vision "GMB2030."

Specifically, the first step was for the members of the Board of Directors to discuss the current state of Kubota and the direction of the board going forward. Then, through discussions about case studies and with outside experts, they further clarified the ideal vision for the Board of Directors. Taking the results into account, members set targets for one of the areas of materiality for K-ESG management—strengthening of corporate governance—thereby laying out a path to the future enhancement of Kubota's corporate governance.

Period	Activities
April & May 2023	Verification of where Kubota currently stands and the future direction of the Board of Directors
June 2023	Case studies (for engine business strategies)
September 2023	Review of lists of projects to be handled by the Board of Directors
October 2023	Discussions with outside experts (about an ideal Board of Directors)
December 2023	Target setting for the K-ESG management materiality "Strengthening of corporate governance"

Overview of Remuneration Plan for Directors, Audit & Supervisory Board Members, and Executive Officers

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

Basic policy for determination of remuneration, etc., for directors

a) The purpose of the remuneration is to encourage directors, excluding outside directors, to take the lead for sustainable growth while fulfilling social responsibilities as a company aiming to become a GMB.

- Motivate directors to achieve performance targets by reflecting in their remuneration quantitative and objective evaluation results based on financial performance indicators.
- Accelerate K-ESG management initiatives by reflecting evaluation results of the progress of the K-ESG in remuneration of directors.
- Encourage directors to hold shares of Kubota Corporation during their tenure and make them strongly aware of the need to sustainably improve corporate value through a remuneration system that is closely linked to shareholder value.
- Set the levels of remuneration and performance linkage so that directors may receive remuneration that is equivalent to or greater than the standard remuneration at other GMB companies defined by Kubota Corporation, in line with the achievement of the performance targets and K-ESG, and improvement of corporate value.

b) To achieve the purpose of the remuneration, transparency and objectivity must be ensured in the administration of the remuneration plan.

- Decisions on the development and administration of remuneration policies shall be reviewed by the Compensation Advisory Committee, where a majority of members are independent outside directors, before being determined by the Board of Directors' resolution.
- In order to fulfill accountability for shareholders precisely, disclosure shall be made not limited to the scope required by laws and regulations, but also to facilitate shareholders' understanding and dialogue with them.

Remuneration plan overview

(1) Remuneration structure

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

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

(2) Remuneration level

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

Overview of each component

Remuneration type	Overview
Basic remuneration	[Fixed remuneration set to reflect the degree of responsibilities, etc., of each position] • Individual basic remuneration amounts are determined by the Board of Directors after checks and deliberations by the Compensation Advisory Committee. This basic remuneration amount is divided by 12, and paid each month on the same day as other employees' salaries.
Annual bonus	[Cash remuneration, the aims behind which are encouraging the attainment of fiscal year performance targets related to business scale and profitability, and accelerating K-ESG management initiatives] • Comprises a portion linked to company-wide performance (50 to 70% of annual bonuses according to position), a portion of individual evaluation (10 to 30% of the same), and a portion of K-ESG evaluation (20% of the same) • The portion linked to company-wide performance varies from 0 to 200% of the base amount, depending on the level of achievement of consolidated revenue and operating margin targets set out as major indicators in Mid-Term Business Plan 2025 • The portion of individual evaluation varies from 0 to 200% of the base amount, depending on the level of achievement of strategic company-wide targets, specific initiative targets set in Mid-Term Business Plan 2025, and financial targets, etc., for areas of responsibility, which are set at the beginning of the fiscal year based on individual responsibilities • The portion of K-ESG evaluation varies from 0 to 200% of the base amount, depending on the level of achievement of K-ESG management promotion targets which are set at the beginning of the fiscal year. • Amounts are determined by the Board of Directors after checks and deliberations by the Compensation Advisory Committee into target setting for each evaluation category and the results of those evaluations, and in principle are paid once a year, in March
Restricted stock unit	[Stock compensation with the aim of encouraging directors to hold shares of Kubota Corporation during their tenure and through that share in, and work to enhance, shareholder value] • For each fiscal year, a trust—that sets Kubota as entruster—grants a fixed number of transfer-restricted stocks depending on the position of the recipient, in principle after the end of each fiscal year. As a general rule, the transfer restriction is lifted after the recipient leaves their post.
Performance share unit	[Stock compensation with the aim of encouraging directors to enhance shareholder value by achieving medium- and long-term performance targets] • A trust—that sets Kubota as entruster—grants a fixed number of transfer-restricted stocks depending on the results of financial evaluations for three-year performance evaluation periods beginning in each fiscal year, in principle after the end of each performance evaluation period. As a general rule, the transfer restriction is lifted after the recipient leaves their post. • The number of shares granted varies from 0 to 200%, depending on the level of achievement of ROIC on a net profit basis—one of the financial evaluation indicators—so as to encourage directors to maximize medium- and long-term corporate value through efficient profit creation for invested capital.

* Attitude to evaluation indicators and targets for annual bonuses and performance share units are continuously being revised, after discussions by the Compensation Advisory Committee, to respond to changes in the management environment, etc.

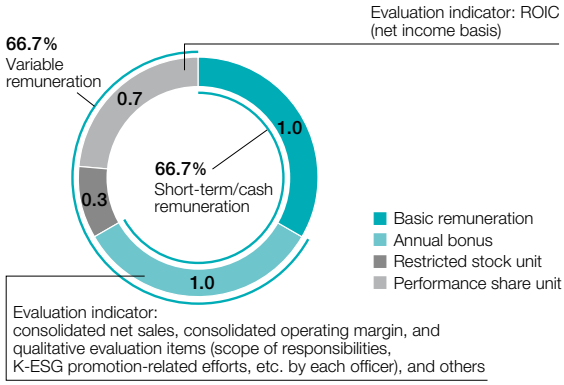
Corporate Governance

(3) Shareholding guideline

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

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

Remuneration Composition Ratios for the President and Representative Director



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

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

(5) Remuneration determination process

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

Total FY2023 remuneration by position

Position	Number of persons	Total amount of compensation (millions of yen)			
		Basic remuneration	Bonus	Restricted stock unit	Performance share unit
Directors (excluding Outside Directors)	8	373	363	99	70
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	3	131	—	—	—
Outside Directors	5	95	—	—	—
Outside Audit & Supervisory Board Members	3	50	—	—	—

*1 The figures above include two director who resigned at the conclusion of the 133rd General Meeting of Shareholders held on March 24, 2023.

*2 Bonuses for the Directors, excluding Outside Directors, take the form of cash remuneration. The aims behind these bonuses are to encourage the attainment of fiscal year performance targets related to business scale and profitability, and to accelerate K-ESG management initiatives. These indicators comprise a portion linked to company-wide performance (consolidated revenue and consolidated operating margin), a portion of individual evaluation, and a portion of K-ESG evaluation. For FY2023, consolidated revenue reached ¥3,020.7 billion and the operating margin was 10.9%.

Executive Training

On their appointment, outside directors and outside Audit & Supervisory Board members receive explanations on topics such as Kubota's corporate principles, management strategies, and business portfolio. They are also actively provided with opportunities to visit major plants or tour overseas sites. In addition, through advance explanations of topics on the agenda for the Board of Directors and VUDM discussions, they are able to deepen their understanding of major management issues and medium- and long-term issues.

Executive Officers, meanwhile, on their appointment receive training from an external organization on laws, regulations, and corporate governance. Also, the Executive Officers' Meeting is held once a month, where the Board of Directors' policies and resolutions are instructed or communicated. Moreover, as part of their training, executive officers take part in separate subcommittees to give them chances to investigate company-wide matters and areas unrelated to their own appointed areas. Splitting into these small groups, trainees have repeated, lively discussions about themes such as important management issues.

Furthermore, all directors, Audit & Supervisory Board members, and executive officers take part in multiple officer forums each year, with each taking themes such as ESG, human rights, health & safety, the environment, quality, public relations, legal affairs, DX, and compliance. Outside experts and others are invited to these, with the aim of helping trainees gain and update their knowledge of the ever-changing external environment, and these forums are continuously being held, including online.

Corporate Governance Report Click

Compliance

Fundamental policy

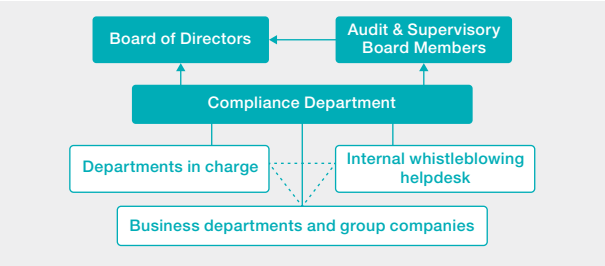
To realize K-ESG management, we share a common set of values codified in our Corporate Principles and Code of Conduct, and our fundamental policy is that we faithfully adhere to laws and internal rules, but also to ethical and moral standards. Compliance forms the foundation for a company to achieve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

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

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

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

Promotion framework



Internal Control System

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

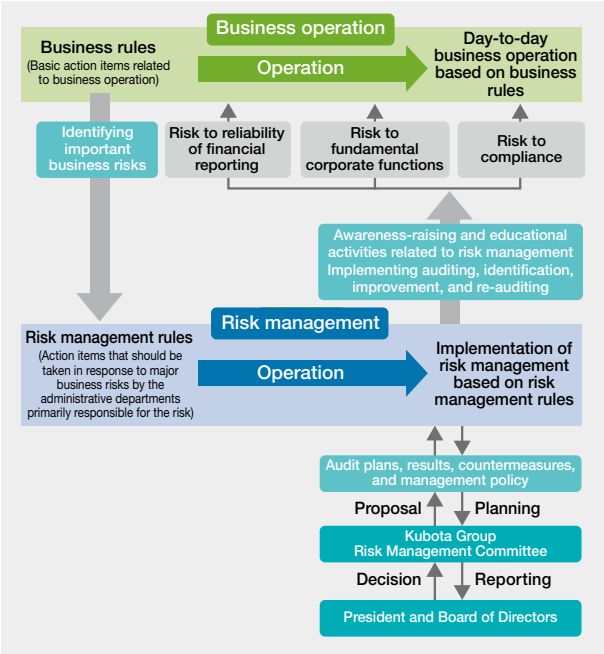
The **business operation** side of internal control involves setting out basic action items necessary for operating businesses in the form of business rules. It also requires that each department, or relevant manager or supervisor, conducts day-to-day checks in accordance with these rules.

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

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

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

Internal control system overview



Internal Control System Risk Management Activities

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

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

Management (as of March 22, 2024)

Directors and Senior Executive Officers

Yuichi Kitao

President and Representative Director

Shares owned: 132,665 | Time in office: 9 years and 9 months

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

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

Masato Yoshikawa

Representative Director and Executive Vice President

GM of Planning and Control HQ, GM of Human Resources and General Affairs HQ, In charge of ESG Promotion, GM of Head Office, GM of Kubota Technical Training Center

Shares owned: 75,209 | Time in office: 7 years

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

Apr. 1981: Joined Kubota Corporation
Feb. 2008: GM of Ductile Iron Pipe Planning Dept.
Oct. 2009: GM of Pipe Systems Planning Dept.
Oct. 2010: GM of Corporate Planning & Control Dept.
Apr. 2012: Senior Executive Officer
Oct. 2013: President of Kubota Tractor Corp.
Apr. 2015: Managing Executive Officer of Kubota Corporation
Mar. 2017: Director and Managing Executive Officer
Jan. 2018: Director and Senior Managing Executive Officer
Jan. 2019: GM of Planning and Control HQ (to present) and GM of Global IT Management Dept.
Apr. 2019: GM of Global ICT HQ
Jan. 2020: Director and Executive Vice President
Jan. 2022: Representative Director and Executive Vice President (to present)
Jan. 2024: GM of Human Resources and General Affairs HQ (to present), In charge of ESG Promotion (to present), GM of Head Office (to present), GM of Kubota Technical Training Center (to present)

Dai Watanabe

Director and Executive Vice President

GM of Farm and Industrial Machinery Consolidated Div., GM of Innovation Center

Shares owned: 90,885 | Time in office: 5 years

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

Hiroto Kimura

Director and Senior Managing Executive Officer

GM of Research and Development HQ, GM of Kubota Global Institute of Technology, Deputy GM of Innovation Center

Shares owned: 32,036 | Time in office: 2 years

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

Eiji Yoshioka

Director and Senior Managing Executive Officer

GM of Water and Environment Infrastructure Consolidated Div., Deputy GM of Innovation Center, GM of Tokyo Head Office

Shares owned: 33,441 | Time in office: 1 year

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

Shingo Hanada

Director and Senior Managing Executive Officer

GM of Farm and Industrial Machinery Strategy and Operations HQ, Deputy GM of Planning and Control HQ, Deputy GM of Innovation Center

Shares owned: 7,930 | Time in office: 1 year

Committee activity:
Member of the Compensation Advisory Committee

Apr. 1989: Joined Kubota Corporation
Apr. 2015: GM of Tractor Planning and Sales Promotion Dept.
Jan. 2017: GM of Agricultural Tractor Planning and Sales Promotion Dept.
Jan. 2018: GM of Outdoor Power Equipment Business Unit and Outdoor Power Equipment Business Planning and Development Dept.
Jan. 2019: Senior Executive Officer and GM of Outdoor Power Equipment Div.
Feb. 2020: GM of Outdoor Power Equipment Business Planning and Development Dept.
Jan. 2021: President of Kubota Holdings Europe B.V. and Kverneland AS
Jan. 2022: Managing Executive Officer of Kubota Corporation, President of Kubota North America Corp. and President of Kubota Tractor Corp.
Mar. 2023: Director and Managing Executive Officer of Kubota Corporation
Jan. 2024: Director and Senior Managing Executive Officer (to present), GM of Farm and Industrial Machinery Strategy and Operations HQ (to present), Deputy GM of Planning and Control HQ (to present), Deputy GM of Innovation Center (to present)

* Shares owned is correct as of December 2023, time in office is correct as of March 2024.

Outside Directors

Yuzuru Matsuda

Outside Director

Shares owned: 33,482 | Time in office: 9 years and 9 months

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

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

Yutaro Shintaku

Outside Director

Shares owned: 11,939 | Time in office: 6 years

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

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

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

Kumi Arakane

Outside Director

Shares owned: 9,588 | Time in office: 3 years

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

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

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

Koichi Kawana

Outside Director

Shares owned: 2,092 | Time in office: 1 year

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

Significant concurrent roles:
Outside Director of Tokyo Electron Device Limited
Outside Director of Bandai Namco Holdings Inc.
External Director of ispace, Inc.
Director and Chairman of RENOVA, Inc. (part-time, non-executive)

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

* Shares owned is correct as of December 2023, time in office is correct as of March 2024.

Audit & Supervisory Board Members

Yasuhiko Hiyama

Audit & Supervisory Board Member

Shares owned: 24,670 | Time in office: 5 years

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

Kazushi Ito

Audit & Supervisory Board Member

Shares owned: 16,499 | Time in office: –

Apr. 1987: Joined Daiwa Securities Co. Ltd.
Apr. 2002: Joined UFJ Capital Markets Securities Co., Ltd. (currently, Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.)
Mar. 2007: Joined Depfa Bank Plc., Tokyo Branch
Oct. 2010: Joined Kubota Corporation
Apr. 2015: GM of Strategic Planning Dept.
Jan. 2018: Senior Executive Officer, Deputy GM of Planning and Control HQ, GM of Global Management Promotion Dept., and GM of Strategic Planning Dept.
Jan. 2020: GM of Corporate Planning & Control Dept.
Mar. 2024: Audit & Supervisory Board Member (to present)

Masashi Tsunematsu

Audit & Supervisory Board Member

Shares owned: 7,390 | Time in office: 2 years

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

Outside Audit & Supervisory Board Members

Yuichi Yamada

Outside Audit & Supervisory Board Member

Shares owned: 5,715 | Time in office: 4 years

Committee activity:
Observer of the Compensation Advisory Committee

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

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

Yuri Furusawa

Outside Audit & Supervisory Board Member

Shares owned: 4,484 | Time in office: 3 years

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

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

Keijiro Kimura

Outside Audit & Supervisory Board Member

Shares owned: 2,978 | Time in office: 2 years

Significant concurrent roles:
Senior Partner of Kyoei Law Office

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

* Shares owned is correct as of December 2023, time in office is correct as of March 2024.

Senior Executive Officers

Senior Managing Executive Officers

Nikhil Nanda

Nobuyuki Ishii

Yoshimitsu Ishibashi

Katsuhiko Yukawa

Managing Executive Officers

Yasukazu Kamada

Koichi Yamamoto

Hirohiko Arai

Mampei Yamamoto

Nobushige Ichikawa

Shinichi Fukuhara

Takanobu Azuma

Senior Executive Officers

Koichiro Kan

Tomohiro Iitsuka

Hideki Mori

Junji Ota

Executive Officers

Hideo Takigawa

Takashi Ichikawa

Wataru Kondo

Hiroyuki Tanihara

Toshiyuki Taneda

Shiro Watanabe

Todd Stucke

Hiroyuki Araki

Yoshifumi Makino

Tadahito Suzui

Koichi Nakagawa

Kazunori Tani

Yuji Kambara

Shinya Tsuruda

Sumio Morioka

Shinichi Yamada

Hitoshi Sasaki

Satoshi Suzuki

Koji Wada

Masaya Nishiyama

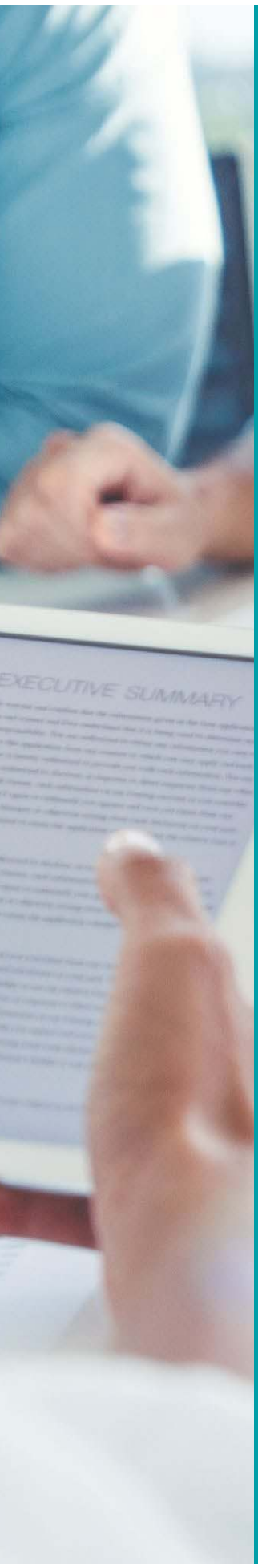
Keishiro Nishi

Seiji Fukuoka

Junji Takeda

Brian Arnold

* Shares owned is correct as of December 2023, time in office is correct as of March 2024.



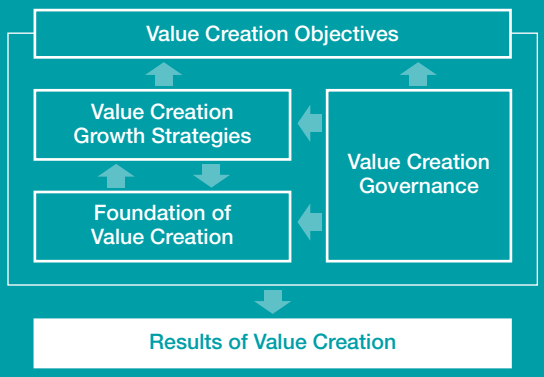
Chapter

05

Results of Value Creation

Overview

This chapter covers financial and non-financial data as well as corporate data.



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25%
62%
100%
18%
89%
32%
47%
29%
58%

The Kubota Group in Numbers

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

Europe

Revenue in the region
¥418.3 billion

Group Employees 4,998

Group Companies 48 companies

Japan

Revenue in the region
¥643.1 billion

Group Employees 25,322

Group Companies 59 companies

Asia

Revenue in the region
¥600.6 billion

Group Employees 13,733

Group Companies 53 companies

Total Tractor Production Volume

More than
5.6 million units worldwide
(cumulative)

Total Engine Production Volume

More than
30 million units
(cumulative)

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

No. 1

*For crawler combine harvesters only

Engine Line-up

Approximately
3,600 models

Sales Volume of Mini Excavators

Global No. 1
for 22 consecutive years

Source: Off-Highway Research

Global Supply Record of Ductile Iron Pipes

Over 70 countries

Submerged Membrane Unit Deliveries

More than
7,300 worldwide

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

Approximately more than
80%

*Based on activated charcoal-treated water volume

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

North America

Revenue in the region
¥1,252.2 billion

Group Employees **8,138**

Group Companies **49 companies**

The rest of the world

Revenue in the region
¥106.4 billion

Group Employees **417**

Group Companies **10 companies**

Revenue ..... **¥3,020.7 billion**

Overseas revenue
(Overseas revenue ratio)
¥2,377.6 billion (78.7%)

Operating profit ..... **¥328.8 billion** (10.9%)
(Operating margin)

Group Companies **219**

Overseas group companies **160**

Consolidated employees **52,608**

Business footprint **120+ countries**
(as of December 31, 2023)

Global expansion

Founding
February 1890

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

First sales site established in U.S.
September 1972

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

Start of local production in Europe
July 1989

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

Innovation

Creation of innovation centers
June 2019

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

Collaborations with external companies and organizations
48 projects

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

KSAS users
26,300+ sites
(as of December 2023)

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

Sustainability

Emissions compared to 2014
28.0% decrease

We have set ourselves the target of cutting CO_2 emissions (in Scopes 1 & 2) by 50% by 2030, and by fiscal 2023 we have already achieved a reduction of 28.0%.

MSCI ESG rating
AAA

The Kubota Group was ranked as a "Leader" among 39 companies from the construction machinery, agricultural machinery, large-cargo-vehicle industries.

CDP 2023
Highest rating in two fields

Kubota became one of very few companies to be A-Listed by CDP—an international, non-profit organization that carries out surveys of, and discloses, information on the environment—in two categories: climate change and water security.

Financial Highlights

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

Click here for detailed financial data. Click

Non-financial Highlights

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

*1 For the reporting period for environmental data, see the Calculation Standards of Environmental Performance Indicators (p. 91 of ESG REPORT 2024).
URL: https://www.kubota.com/ir/financial/integrated
*2 The figure for FY2022 was corrected in order to improve accuracy.

Click here for detailed environmental data. Click

Corporate Information

External Evaluations and Praise

Inclusion in ESG Indices

The Kubota Group has been highly evaluated for its ESG initiatives and selected as a constituent of multiple ESG indices in Japan and overseas. In addition to the ESG Investment Index★ adopted by the Government Pension Investment Fund (GPIF), Kubota has been selected as a constituent of the following indices.

ESG Comprehensive Indices

MSCI ESG Ratings

MSCI ESG Leaders Indexes

FTSE4Good Index Series

MSCI Japan ESG Select Leaders Index★

FTSE Blossom Japan Index★

Environment Themed Index

S&P/JPX Carbon Efficient Index Series★

＊MSCI indexes, logos, and trademarks, etc.
THE INCLUSION OF KUBOTA CORPORATION IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF KUBOTA CORPORATION BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

(As of June 1, 2024)

Certifications and Prizes

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

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

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

Highest rating by CDP in the climate change and water security categories

Kubota was selected as an A List company by CDP*1—an international, non-profit organization that carries out surveys of, and discloses, information on the environment—in two categories: climate change and water security.*2 This was the first time we were included on the Climate Change A List, and the fifth time on the Water Security A List. Of more than 21,000 companies that CDP evaluated, we were one of only very few companies selected for A List inclusion in two categories.

CLIMATE WATER

＊1 CDP is an international, non-profit organization that uses global systems to disclose environmental information about companies and governments. At present, investors that entrust disclosure requests to CDP include more than 740 bodies all around the world, and the assets they operate are more than 136,000 billion US dollars. In 2023, the companies and governments it covered made up two-thirds of total global market capitalization.

＊2 Information disclosure programs related to companies' responses to climate change and water security. Results are categorized by 8 levels of rating, with the A List being the highest. Those companies that display best practice initiatives are selected as A List companies.

KGIT's Building A wins the New Office Promotion Award at the 36th Nikkei New Office Awards

Building A at Kubota's R&D base, the Kubota Global Institute of Technology (KGIT) in Sakai, Osaka Prefecture, was presented with the New Office Promotion Prize at the 36th Nikkei New Office Awards, which is organized by Nikkei Inc. and the New Office Promotion Association.

The Nikkei New Office Awards aim to spread and encourage the creation of comfortable, functional offices, and reward those offices that display creativity and ingenuity.

Corporate Data (as of December 31, 2023)

Corporate name:	Kubota Corporation
Established:	1890
Capital:	¥84.1 billion
Total number of shares issued:	1,176,666,846
Number of shareholders:	111,990
Revenue (consolidated):	¥3,020.7 billion
Employees (consolidated):	52,608
Global network:	Over 120 countries
Overseas revenue ratio:	79%

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

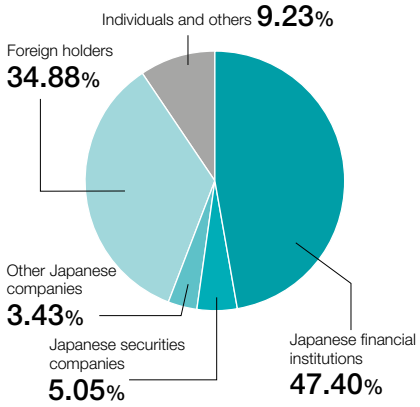
Tokyo Head Office
1-3, Kyobashi 2-chome, Chuo-ku, Tokyo 104-8307 Japan
Tel. +81-3-3245-3111

Share & Shareholder Information (as of December 31, 2023)

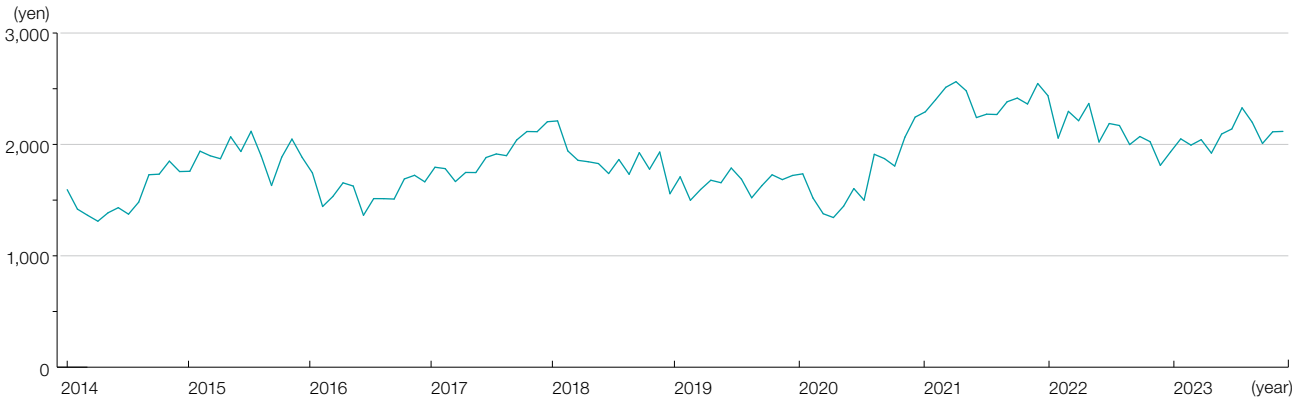
Basic share information

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

Shareholder Categorized Distribution



Stock price trends over the past 10 years (January 1, 2014–December 31, 2023)



10 Largest Shareholders

	Shareholders	Number of shares held (thousand)	Percentage of issued shares (%)
1	The Master Trust Bank of Japan, Ltd. (Trust Account)	189,908	16.14
2	Custody Bank of Japan, Ltd. (Trust Account)	65,222	5.54
3	Nippon Life Insurance Company	62,542	5.32
4	Meiji Yasuda Life Insurance Company	59,929	5.09
5	Sumitomo Mitsui Banking Corporation	36,006	3.06
6	Mizuho Bank, Ltd.	31,506	2.68
7	Moxley and Co LLC	21,332	1.81
8	Bnym Treaty Dtt 15	20,379	1.73
9	State Street Bank West Client – Treaty 505234	19,842	1.69
10	MUFG Bank, Ltd.	18,156	1.54

* Percentage of issued shares is calculated after excluding treasury shares.

KUBOTA Corporation

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