

[Translation]

Annual Securities Report

(The 133rd Business Term)

From January 1, 2022 to December 31, 2022

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

Kubota Corporation

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COVER

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[Filing Date]	March 24, 2023
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[Company Name]	Kabushiki Kaisha Kubota
[Company Name in English]	Kubota Corporation
[Title and Name of Representative]	Yuichi Kitao, President and Representative Director
[Address of Head Office]	2-47, Shikitsuhigashi 1-chome, Naniwa-ku, Osaka, JAPAN
[Phone Number]	+81-6-6648-2111
[Contact Person]	Kaori Sato, General Manager of Accounting Dept.
[Contact Address]	Kubota Corporation, Tokyo Head Office 1-3, Kyobashi 2-chome, Chuo-ku, Tokyo, JAPAN
[Phone Number]	+81-3-3245-3111
[Contact Person]	Jun Sano, General Manager of Tokyo Administration Dept.
[Place Where Available for Public Inspection]	Kubota Corporation, Tokyo Head Office (1-3, Kyobashi 2-chome, Chuo-ku, Tokyo, JAPAN) Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabuto-cho, Chuo-ku, Tokyo, JAPAN)

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

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

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

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

Cautionary Statement with Respect to Forward-Looking Statements

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

1. Overview of the Company

1. Key Financial Data

		133 rd	132 nd	131 st	130 th	129 th
Business term		Business term	Business term	Business term	Business term	Business term
Fiscal year		December 2022	December 2021	December 2020	December 2019	December 2018
Revenue	(millions of yen)	2,678,772	2,196,766	1,853,234	1,920,042	1,850,316
Profit before income taxes	(millions of yen)	233,927	250,917	185,899	209,022	197,230
Profit attributable to owners of the parent	(millions of yen)	156,182	174,765	128,524	149,061	138,595
Comprehensive income attributable to owners of the parent	(millions of yen)	285,657	269,162	96,656	167,048	87,544
Equity attributable to owners of the parent	(millions of yen)	1,883,321	1,678,035	1,476,039	1,442,837	1,339,850
Total equity	(millions of yen)	2,077,330	1,785,109	1,574,185	1,537,214	1,426,433
Total assets	(millions of yen)	4,731,273	3,773,656	3,189,317	3,139,318	2,895,655
Equity attributable to owners of the parent per share	(yen)	1,583.73	1,398.47	1,221.95	1,182.72	1,087.44
Earnings per share attributable to owners of the parent:						
Basic	(yen)	130.82	144.80	105.85	121.59	112.44
Diluted	(yen)	—	—	—	—	112.44
Ratio of equity attributable to owners of the parent to total assets	(%)	39.8	44.5	46.3	46.0	46.3
Ratio of profit attributable to owners of the parent to equity attributable to owners of the parent	(%)	8.8	11.1	8.8	10.7	10.5
Price earnings ratio	(times)	13.89	17.55	21.27	14.20	13.89
Net cash (used in) provided by operating activities	(millions of yen)	(7,680)	92,511	142,919	82,410	89,148
Net cash used in investing activities	(millions of yen)	(318,499)	(127,370)	(47,133)	(91,470)	(58,756)
Net cash provided by (used in) financing activities	(millions of yen)	282,557	60,586	(68,354)	(21,515)	(27,816)
Cash and cash equivalents, at the end of the year	(millions of yen)	225,799	258,639	222,919	199,665	229,123
Number of employees (Average number of part-time employees)	(number of persons)	50,352 (12,213)	43,293 (3,356)	41,605 (2,699)	41,027 (2,880)	40,202 (3,004)

(Notes)

1. Consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).
2. Amounts less than presentation units are rounded.
3. *Earnings per share attributable to owners of the parent - Diluted* for the year ended December 31, 2019 and subsequent years are not stated as Kubota Corporation did not have potentially dilutive common shares that were outstanding.
4. Effective from the year ended December 31, 2022, the Company has changed the measurement method of allowance for doubtful accounts for lease receivables, and the key financial data for the year ended December 31, 2021, has been retrospectively adjusted to reflect this change in the accounting policy.

2. History

Month / Year	History
Feb. 1890	Founder Gonshiro Kubota established Kubota Tekko-jo in Okuraato-cho, Minami-ku, Osaka, JAPAN and started manufacturing and sales of various cast metal products.
Jul. 1893	Started production of cast iron pipes for water supply.
Feb. 1922	Started production of compact engines for agro-industrial purposes.
Feb. 1927	Acquired Sumidagawa Seitetsuzyo K.K. and expanded the cast iron pipes business.
Dec. 1930	Established K.K. Kubota Tekko-jo and K.K. Kubota Tekko-jo Machinery Department.
Mar. 1937	Consolidated K.K. Kubota Tekko-jo Machinery Department with K.K. Kubota Tekko-jo.
Nov. 1937	Established Sakai Plant and started mass-production of engines for agro-industrial purposes.
Oct. 1940	Established Mukogawa Plant and expanded the industrial machinery business, and started production of casting of centrifugal cast-iron pipes the following October.
May 1949	Listed on the Tokyo Stock Exchange and Osaka Securities Exchange (integrated with Tokyo Stock Exchange in July 2013).
Aug. 1950	Adopted divisionalized organization by product.
Dec. 1952	Started production of pumps in Mukogawa Machinery Plant.
Jun. 1953	Changed corporate name to Kubota Tekko K.K.
Apr. 1954	Established a plant for vinyl pipes and started full production of plastic pipes.
Nov. 1957	Established Kubota Kenzai Kogyo K.K. and advanced into the housing materials business.
Dec. 1960	Established Funabashi Plant (relocated from Sumidagawa Plant) and completed a mass-production system of cast iron pipes.
May 1961	Established Water Laboratory. Also established the Water Treatment Division for full-scale entry into the environmental improvement business the following December.
May 1962	Established Hirakata machinery Plant and Hirakata steel casting Plant and completed building an integrated system for industrial machinery and steel casting products.
Jan. 1967	Established Odawara Plant. Absorbed manufacturing sector of Kubota Kenzai Kogyo K.K. for full-scale entry into the housing materials business in June of the same year.
May 1969	Established Utsunomiya Plant and completed a mass-production system of rice transplanters and reaper binders.
Jun. 1972	Absorbed Kanto Daikei Koukan K.K. Changed its name to Ichikawa Plant and continued to manufacture spiral welded steel pipes.
Sep. 1972	Established Kubota Tractor Corporation in the United States and strengthened the selling system of tractors in North America.
Sep. 1973	Established Kyuhoji Plant as a plant for precision equipment by relocating manufacturing facilities from Funademachi Plant.
Mar. 1974	Established Kubota Tractor Europe S.A. (currently, Kubota Europe S.A.S.) in France and strengthened the selling system for farm equipment in Europe.
Aug. 1975	Established Tsukuba Plant as a specialized mass production factory for tractors.
Nov. 1976	Listed on the New York Stock Exchange (delisted in July 2013).
Apr. 1980	Established Kashima Plant as a specialized factory for siding materials.
Jan. 1985	Established Sakai-Rinkai Plant in Sakai Plant as a specialized factory for engines.
Apr. 1990	Changed its corporate name to Kubota Corporation.
Oct. 2002	Established Hanshin Office as a hub for environmental engineering in the Kansai area.
Dec. 2003	Separated the housing materials business and Kubota Matsushitadenko Exterior Works, Ltd. (currently, KMEW Co., Ltd.), took over its business.
Aug. 2004	Acquired additional shares of The Siam Kubota Industry Co., Ltd. (currently, SIAM KUBOTA Corporation Co., Ltd.), which had been an affiliate in Thailand, to make it a consolidated subsidiary and strengthened development, manufacturing, and sales of farm equipment in Southeast Asia.
Apr. 2005	Established Kubota-C.I. Co., Ltd. by business integration of plastic pipes with C.I. Kasei Co., Ltd. (currently, Kubota ChemiX Co., Ltd.).
Sep. 2007	Established Siam Kubota Tractor Co., Ltd. (currently, SIAM KUBOTA Corporation Co., Ltd.) as a manufacturing base for tractors in Thailand.
Mar. 2012	Acquired ownership interest in Kverneland ASA (currently, Kverneland AS), a manufacturer of upland farming implements in Norway, and made it a consolidated subsidiary.
Dec. 2013	Established Kubota Farm Machinery Europe S.A.S. in France as a manufacturing base for upland farming tractors.
Jul. 2016	Acquired ownership interest in Great Plains Manufacturing, Inc., a manufacturer of implements in the United States, and made it a consolidated subsidiary.
Apr. 2022	Acquired ownership interest in Escorts Ltd. (currently, Escorts Kubota Ltd.), a manufacturer of tractors in India, and made it a consolidated subsidiary.
Sep. 2022	Established Kubota Global Institute of Technology aimed at promoting cooperation between research and development bases worldwide and strengthening its research and development network.

3. Description of Business

The Company is comprised of Kubota Corporation and 217 affiliates (198 subsidiaries and 19 equity method affiliates) as of December 31, 2022, and engages in various fields of business and industry by providing products and services which are categorized into three segments: Farm & Industrial Machinery, Water & Environment, and Other.

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

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

(1) Farm & Industrial Machinery

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

1) Main Products

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

2) Main Affiliates

Manufacturing and Sales

(Overseas) Kubota Manufacturing of America Corporation
Kubota Industrial Equipment Corporation
Great Plains Manufacturing, Inc. and 18 subsidiaries
Kubota Farm Machinery Europe S.A.S.
Kubota Baumaschinen GmbH
Kverneland AS and 36 affiliates
Kubota Agricultural Machinery (SUZHOU) Co., Ltd.
SIAM KUBOTA Corporation Co., Ltd.
KUBOTA Engine (Thailand) Co., Ltd.
Escorts Kubota Ltd. and 7 affiliates

Sales and Services, etc.

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

Financial Leasing

- (Domestic) Kubota Credit Co., Ltd.
- (Overseas) Kubota Credit Corporation, U.S.A.
Siam Kubota Leasing Co., Ltd.
Kubota China Financial Leasing Ltd.

(2) Water & Environment

Water & Environment mainly engages in manufacturing and sales of pipe system-related products (ductile iron pipes, plastic pipes and other products), materials and urban infrastructure-related products (reformer and cracking tubes, spiral welded steel pipes, air-conditioning equipment and other products) and environment-related products (environmental control plants, pumps and other products.)

1) Main Products

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

2) Main Affiliates

Manufacturing and Sales

- (Domestic) Kubota ChemiX Co., Ltd.
NIPPON PLASTIC INDUSTRY CO., LTD.
Kubota Air Conditioner, Ltd.
- (Overseas) Kubota Materials Canada Corporation
Kubota Saudi Arabia Company, LLC

Maintenance and Repair

- (Domestic) KUBOTA Environmental Engineering Corporation

Design and Construction

- (Domestic) Kubota Construction Co., Ltd.

(3) Other

Other mainly engages in offering a variety of services.

1) Main Products

Other	Services, such as logistics, and roofing and siding materials
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2) Main Affiliates

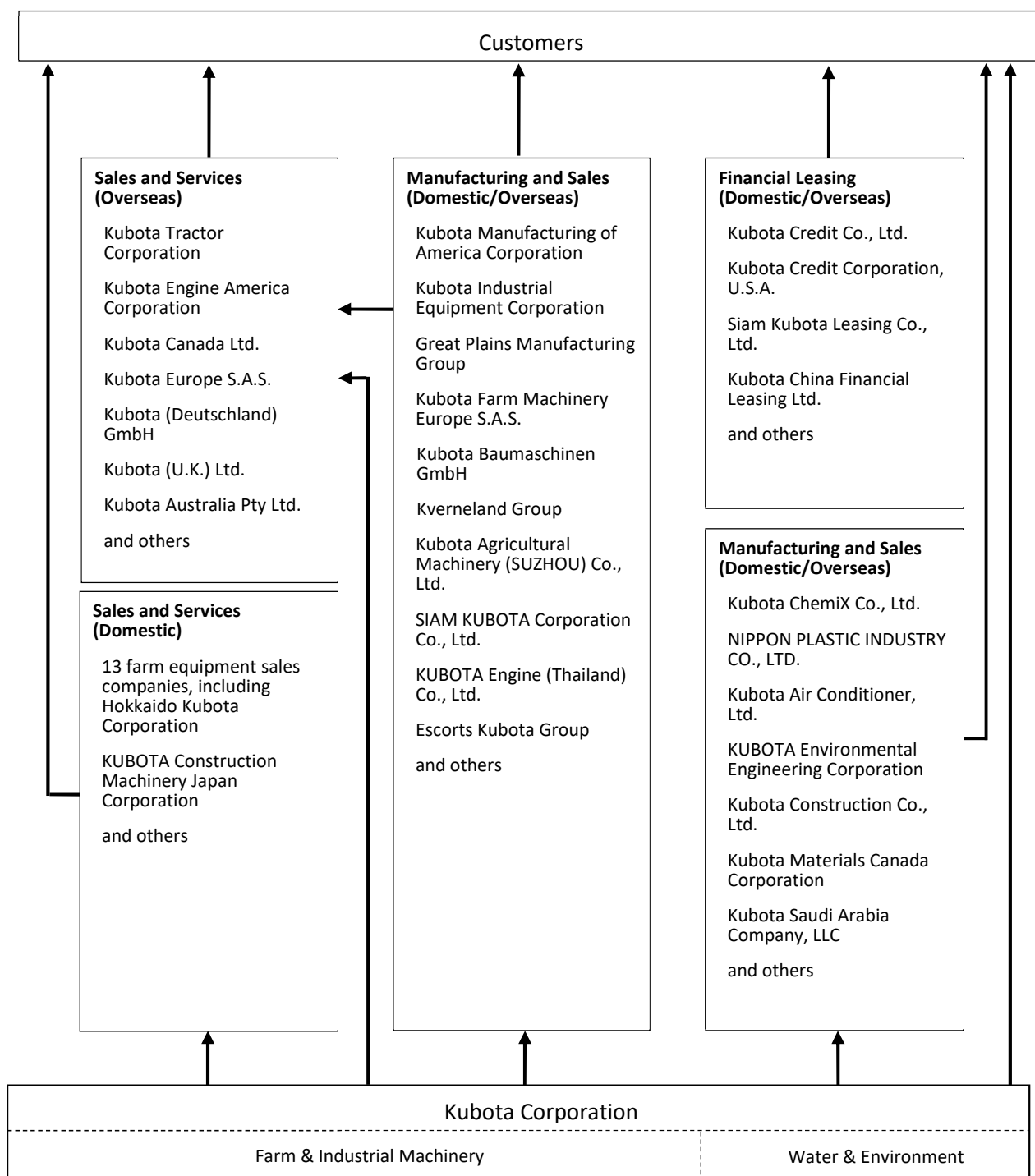
Manufacturing and Sales

- (Domestic) KMEW Co., Ltd.

Services

- (Domestic) KUBOTA LOGISTICS Corporation
- (Overseas) Kubota China Holdings Co., Ltd.

(Business distribution diagram)



4. Information on Affiliates

(As of December 31, 2022)

				Ownership	Relationship
				percentage of	
Company name	Location	Common stock (millions of yen)	Principal business activities	voting rights (%)	Business transaction, etc.
Subsidiaries					
6 domestic farm equipment sales companies, including Hokkaido Kubota Corporation	Nishi-ku, Sapporo, JAPAN, etc.	100	Sales of farm equipment, etc.	84.3	Lease of facilities from Kubota Corporation, and sales of Kubota Corporation's products
KUBOTA Construction Machinery Japan Corporation	Naniwa-ku, Osaka, JAPAN	300	Sales of construction machinery, etc.	100.0	Lease of facilities from Kubota Corporation, and sales of Kubota Corporation's products
Kubota Credit Co., Ltd.	Naniwa-ku, Osaka, JAPAN	500	Retail financing to purchasers of farm equipment and related products	(22.9) 77.8	Loans from Kubota Corporation, lease of facilities from Kubota Corporation, credit guarantees, and interlocking Directors
Kubota Seiki Co., Ltd.	Mihara-ku, Sakai, JAPAN	480	Manufacturing and sales of hydraulic equipment	100.0	Loans from Kubota Corporation, and material supplies to Kubota Corporation
Kubota Machinery Trading Co., Ltd.	Naniwa-ku, Osaka, JAPAN	30	Export and import of components for farm equipment, engines, and construction machinery	100.0	Lease of facilities from Kubota Corporation and material supplies to Kubota Corporation
Kubota Engine Japan Corporation	Naniwa-ku, Osaka, JAPAN	310	Sales, service, and engineering of industrial engines	100.0	Lease of facilities from Kubota Corporation and sales of Kubota Corporation's products
Kubota North America Corporation (Note 2)	Delaware, USA	(thousands of USD) 597,100	Administration of North American Farm & Industrial Machinery business	100.0	Interlocking Directors
Kubota Tractor Corporation (Note 2) (Note 3)	Texas, USA	(thousands of USD) 37,000	Sales of tractors, outdoor power equipment, construction machinery, and implements	(100.0) 100.0	Sales of Kubota Corporation's products and interlocking Directors
Kubota Credit Corporation U.S.A.	Texas, USA	(thousands of USD) 8,000	Retail financing to purchasers of tractors, outdoor power equipment, construction machinery, and implements	(90.0) 100.0	Interlocking Directors
Kubota Manufacturing of America Corporation	Georgia, USA	(thousands of USD) 10,900	Manufacturing of tractors and outdoor power equipment	(100.0) 100.0	Interlocking Directors
Kubota Industrial Equipment Corporation	Georgia, USA	(thousands of USD) 70,000	Manufacturing of implements, tractors, and construction machinery	(100.0) 100.0	Interlocking Directors
Kubota Engine America Corporation	Illinois, USA	(thousands of USD) 10,000	Sales, engineering, and after-sales service of engines, engine parts, and engine accessories	(100.0) 100.0	Sales of Kubota Corporation's products and interlocking Directors
Kubota Insurance Corporation	Hawaii, USA	(thousands of USD) 2,000	Underwriting non-life insurance in the United States	(100.0) 100.0	Interlocking Directors
Great Plains Manufacturing, Inc. and 18 subsidiaries	Kansas, USA	(thousands of USD) 90	Manufacturing and sales of implements and construction machinery	(100.0) 100.0	Interlocking Directors
Kubota Research & Development North America Corporation (Note 2)	Georgia, USA	(thousands of USD) 90,000	Development of outdoor power equipment and implements	(100.0) 100.0	Commissioned research services from Kubota Corporation, and interlocking Directors

Kubota Canada Ltd.	Ontario, CANADA	(thousands of CAD) 6,000	Sales of tractors, outdoor power equipment, construction machinery, and implements	100.0	Sales of Kubota Corporation's products and interlocking Directors
Kubota Holdings Europe B.V. (Note 2)	Noord-Holland, NETHERLANDS	(thousands of EUR) 532,788	Administration of European Farm & Industrial Machinery business	100.0	Interlocking Directors
Kubota Europe S.A.S.	Val-d'Oise, FRANCE	(thousands of EUR) 11,167	Sales of construction machinery, tractors, outdoor power equipment, and engines	(100.0) 100.0	Sales of Kubota Corporation's products and interlocking Directors
Kubota Farm Machinery Europe S.A.S.	Nord, FRANCE	(thousands of EUR) 57,000	Manufacturing of upland farming tractors	(100.0) 100.0	
Kubota Baumaschinen GmbH	Rhineland- Palatinate, GERMANY	(thousands of EUR) 14,316	Manufacturing and sales of construction machinery	(100.0) 100.0	Purchase of Kubota Corporation's products
Kubota (Deutschland) GmbH	Hessen, GERMANY	(thousands of EUR) 3,579	Sales of tractors, outdoor power equipment, and engines	(100.0) 100.0	Sales of Kubota Corporation's products and interlocking Directors
Kubota (U.K.) Ltd.	Oxfordshire, UNITED KINGDOM	(thousands of GBP) 2,000	Sales of construction machinery, tractors, outdoor power equipment, and engines	(100.0) 100.0	Sales of Kubota Corporation's products
Kverneland AS and 35 subsidiaries	Rogaland, NORWAY	(thousands of EUR) 53,090	Manufacturing and sales of agricultural implements	(100.0) 100.0	Interlocking Directors
Kubota Brabender Technologie GmbH and 3 subsidiaries	North Rhine- Westphalia, GERMANY	(thousands of EUR) 26	Manufacturing and sales of gravimetric feeders	(100.0) 100.0	
SIAM KUBOTA Corporation Co., Ltd. (Note 2)	Pathumthani, THAILAND	(thousands of THB) 2,739,000	Manufacturing and sales of tractors, combine harvesters, implements, and horizontal type diesel engines, Sales of construction machinery	60.0	Purchase of Kubota Corporation's products and interlocking Directors
Siam Kubota Leasing Co., Ltd.	Pathumthani, THAILAND	(thousands of THB) 2,000,000	Retail financing to purchasers of tractors and combine harvesters, etc.	(100.0) 100.0	Interlocking Directors
KUBOTA Engine (Thailand) Co., Ltd.	Chachoengsao, THAILAND	(thousands of THB) 1,400,000	Manufacturing of vertical type diesel engines	100.0	Interlocking Directors
Escorts Kubota Ltd. and 5 subsidiaries (Note 4)	Haryana, INDIA	(thousands of INR) 1,319,406	Manufacturing and sales of tractors, construction machinery, and other products	44.8	Interlocking Directors
Kubota Agricultural Machinery (SUZHOU) Co., Ltd.	Jiangsu, CHINA	(thousands of CNY) 170,999	Manufacturing and sales of combine harvesters, rice transplanters, and tractors	(100.0) 100.0	Interlocking Directors
Kubota Construction Machinery (Wuxi) Co., Ltd.	Jiangsu, CHINA	(thousands of CNY) 289,035	Manufacturing of construction machinery	(100.0) 100.0	Interlocking Directors
Kubota China Financial Leasing Ltd.	Shanghai, CHINA	(thousands of CNY) 527,092	Finance leasing of construction machinery and farm equipment, and factoring service	(100.0) 100.0	Interlocking Directors
Kubota Korea Co., Ltd.	Seoul, KOREA	(thousands of KRW) 200,000	Sales of tractors, combine harvesters, rice transplanters, construction machinery, and engines	100.0	Sales of Kubota Corporation's products and interlocking Directors
Kubota Myanmar Co., Ltd.	Yangon, MYANMAR	(thousands of USD) 23,800	Sales of combine harvesters and tractors	(20.0) 100.0	Sales of Kubota Corporation's products and interlocking Directors
Kubota Australia Pty Ltd.	Victoria, AUSTRALIA	(thousands of AUD) 21,000	Sales of tractors, outdoor power equipment, construction machinery, and engines	100.0	Sales of Kubota Corporation's products
Kubota ChemiX Co., Ltd.	Amagasaki-shi, Hyogo, JAPAN	3,198	Manufacturing and sales of plastic pipes and fittings	100.0	Loans from Kubota Corporation, lease of facilities from Kubota Corporation, and interlocking Directors

KUBOTA Environmental Engineering Corporation	Chuo-ku, Tokyo, JAPAN	400	Design, manufacturing, construction, repair, operation, and maintenance of various environmental equipment and plants	100.0	Lease of facilities from Kubota Corporation, maintenance, remodeling and repair of facilities constructed by Kubota Corporation, and interlocking Directors
NIPPON PLASTIC INDUSTRY CO., LTD.	Komaki-shi, Aichi, JAPAN	175	Manufacturing and sales of plastic products	(67.0) 67.0	
Kubota Construction Co., Ltd.	Naniwa-ku, Osaka, JAPAN	400	Design and construction of water and sewage, civil engineering	100.0	Lease of facilities from Kubota Corporation, contracting and construction of Kubota Corporation's works, and interlocking Directors
Kubota Air Conditioner, Ltd.	Chuo-ku, Tokyo, JAPAN	400	Manufacturing, sales, and maintenance of air conditioning equipment for business use	100.0	Lease of facilities from Kubota Corporation
Kubota Materials Canada Corporation	Ontario, CANADA	(thousands of CAD) 15,000	Manufacturing and sales of cast steel products and TXAX products	100.0	Purchase of Kubota Corporation's products and interlocking Directors
Kubota Saudi Arabia Company, LLC	Ash Sharqiyah, SAUDI ARABIA	(thousands of SAR) 56,250	Manufacturing and sales of steel casting products, sales and maintenance of valves	51.0	Purchase of Kubota Corporation's products, debt guarantees, and interlocking Directors
KUBOTA Systems Inc.	Naniwa-ku, Osaka, JAPAN	400	Development of system, data processing service, and sales of hardware	100.0	Lease of facilities from Kubota Corporation, interlocking Directors, and development of system and data processing service
KUBOTA LOGISTICS Corporation	Naniwa-ku, Osaka, JAPAN	75	Management of logistics and logistics information service related to transportation, storage, cargo handling, and distribution processing	100.0	Lease of facilities from Kubota Corporation, and transportation and storage of Kubota Corporation's products
Heiwa Kanzai CO., LTD.	Chuo-ku, Tokyo, JAPAN	50	Building maintenance, security guarding, and facility management	60.0	Lease of facilities from Kubota Corporation and contracting on building maintenance of Kubota Corporation
Kubota China Holdings Co., Ltd. (Note 2)	Shanghai, CHINA	(thousands of CNY) 1,701,861	Administration of subsidiaries in China	100.0	Interlocking Directors
87 other companies					

Equity method affiliates

7 domestic farm equipment sales companies, including Akita Kubota Corporation	Akita-shi, Akita, JAPAN, etc.	60	Sales of farm equipment, etc.	35.7	Lease of facilities from Kubota Corporation and sales of Kubota Corporation's products
KMEW Co., Ltd.	Chuo-ku, Osaka, JAPAN	8,000	Manufacturing and sales of roofing, siding materials, and rain gutters	50.0	Lease of facilities from Kubota Corporation and interlocking Directors

11 other companies

(Notes)

- Figures in parentheses in *Ownership percentage of voting rights* column represent the indirect ownership included in the total.
- Specified companies under the Financial Instruments and Exchange Act of Japan.
- Revenue of Kubota Tractor Corporation (excluding intercompany transfers) exceeded 10% of total consolidated revenue of the Company. Its key financial information for the year ended December 31, 2022 are: revenue, ¥723,825 million; income before income taxes, ¥40,262 million; and net income, ¥29,893 million; and at December 31, 2022 are: total equity, ¥239,238 million; and total assets, ¥533,043 million.
- Ownership percentage of voting rights is less than 50%, however it is considered a subsidiary since the company is substantially controlled by the Parent Company.

5. Employees

(1) Consolidated basis

(As of December 31, 2022)

Reporting segment	Number of employees	
Farm & Industrial Machinery	38,682	(11,689)
Water & Environment	7,543	(316)
Other	1,845	(208)
Corporate	2,282	(—)
Total	50,352	(12,213)

(Notes)

1. The number of employees refers solely to full-time employees of the Company on a consolidated basis, and the annual average number of part-time employees is shown in parentheses.
2. The number of employees have increased 7,059 from the year ended December 31, 2021, primarily due to the consolidation of Escorts Ltd. (currently, Escorts Kubota Ltd.) in the Farm & Industrial Machinery segment during the three months ended June 30, 2022.

(2) Kubota Corporation

(As of December 31, 2022)

Number of employees	Average age	Average length of service	Average annual salary
12,474	40.1	14.2 years	¥ 8,119,719

Reporting segment	Number of employees
Farm & Industrial Machinery	7,686
Water & Environment	2,506
Corporate	2,282
Total	12,474

(Notes)

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

(3) Relationship with labor unions

The relationship between management and labor unions is stable, and there are no special matters to be stated.

2. Business Overview

1. Business Issues to Address

Forward-looking statements contained in this section are made based on the assumptions and judgements of the Company as of December 31, 2022.

The Company's long-term goal is to become a Global Major Brand (hereinafter, "GMB"), or in other words, a brand that can make the greatest social contribution as a result of being trusted by the largest number of customers. In order to accelerate the realization of GMB, the Company is committed to be an "Essentials Innovator for Supporting Life, Committed to a Prosperous Society and Cycle of Nature" in the long-term vision for 2030, "GMB2030." The Company aims to achieve long-term sustainable development by maximizing the contribution to a sustainable society through solutions to enhance the productivity and safety of food, solutions to promote the circulation of water resources and waste, and solutions to improve urban and living environments.

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

As corporate social responsibility becomes increasingly important, the Company will promote its own ESG-conscious initiatives (hereinafter, "K-ESG") in order to continue to be a sustainable company. As a company that operates in the area of food, water and the environment, and engages in reducing environmental impact and solving social issues through its business, the Company aims to increase its corporate value by materializing business activities rooted in the Kubota Global Identity (corporate principles), in addition to general ESG initiatives.

(2) Laying the Foundation to Realize GMB2030

In the ongoing Mid-term Business Plan 2025, the Company has positioned the five years up to 2025 as the period for laying the foundation to realize GMB2030 and work primarily on the following themes:

- Promotion of ESG management
- Establishment of the foundation for realizing GMB2030 that supports the next generation (secure candidates of growth drivers for the next generation)
- Expansion of revenue in existing businesses
- Improvement of profit margin
- Development of infrastructure that supports sustainable growth
- Promotion of digital transformation (DX)

However, the business environment surrounding the Company is changing drastically. In order to respond to the new phase of globalization and increase the speed of business operations to realize Mid-term Business Plan 2025 and GMB2030, it is necessary to generate resources through selection and concentration, and priority orientation. To this end, the Company will secure resources and build the foundation for GMB2030 by reviewing product and business portfolios, reforming the management structure (formation), enhancing back-office functions, and operational reforms.

Review of product and business portfolios

As for the growth drivers of Mid-term Business Plan 2025, the expansion of construction machinery business in North America and the shift of Water & Environment business to solution business are progressing well. On the other hand, other growth drivers require further acceleration, but lack of management resources remains a challenge. As a response, the Company is reviewing its technology, product, and business portfolios, and shifting resources to profitable growth drivers and businesses that will play a key role in the future of the Company, rather than across the board.

Reform of management structure (formation)

The management structure has essentially remained largely unchanged from ten years ago, when the revenue was less than half of the current level. In order to transform from a mere product sales and service business to a solution provider, it is necessary to further strengthen collaboration among business divisions and build cooperative relationships with external partners. In addition, in order to develop as a global company, it is necessary to strengthen cooperation between the headquarters and each region to conduct market-in activities with a sense of speed to develop a competitive advantage in each region. From these two perspectives, the Company will once again review whether the current management structure is optimal for achieving sustainable growth in the future, and make necessary reforms.

Enhancement of back-office functions

The Company has achieved sales growth by creating various businesses and products. However, with the ratio of overseas sales exceeding 70% and development and manufacturing functions are being transferred overseas, it is necessary to establish the optimal back-office functions that match the future structure of the Company. While strengthening each function, the Company will promote the creation of “One Kubota” structure with clear authority and responsibility and strong communication.

Operational reforms

During the year ended December 31, 2022, irregular operations have occurred, particularly in response to coronavirus disease (COVID-19) and supply chain disruptions caused by geopolitical issues, and normalizing them is the first priority. Furthermore, based on the concept of the Kubota Production System (KPS), both manufacturing sites and administrative divisions will review each operation, returning to the starting point of whether the operations are really necessary, and then work on the advancement and reform of operations through DX such as artificial intelligence (AI).

(3) Promotion of Mid-term Business Plan 2025

Progress of Mid-term Management Plan 2025 during the year ended December 31, 2022, is as follows:

As to “Establishment of the foundation for realizing GMB2030 that supports the next generation (secure candidates of growth drivers for the next generation),” an openness of Kubota Smart Agri System (KSAS) has led to increased collaborations with outside companies.

As to “Expansion of revenue in existing businesses,” the Company has increased its supply capacity by starting compact track loaders (CTL) production at its North American plant. In addition, in the area of Water & Environment solutions, the Company was awarded its first concession project (outsourcing of sewage treatment operations from municipalities), making a progress in converting into a solutions business.

As to “Improvement of profit margin,” in addition to the steady expansion of the overseas components business, various structural reform activities are also progressing.

As to “Development of infrastructure that supports sustainable growth,” production transfer to overseas and investment in business continuity plan (BCP) measures have progressed.

As to “Promotion of DX as a common theme,” transformations in products, services and production sites through AI data analysis and video analysis, as well as business process improvements through automation of administrative work and paperless processes have progressed.

2. Risk Factors

The Company considers the following risks may adversely affect the Company’s financial position, results of operations, and cash flows (hereinafter, the “results of operations”). Forward-looking statements contained in this section are made based on the assumptions and judgements of the Company as of December 31, 2022.

(1) Economic Conditions

Industrial and capital goods make up a substantial portion of the Company’s products. Accordingly, the Company may face reduced demand resulting from declines in general economic conditions, including private-sector capital expenditures, construction investment, and domestic public investment. In addition, the agricultural policies set by the government may adversely affect the sales of agriculture-related products. In the overseas markets, especially in North America and Europe, sales of the Company’s products, such as utility/compact tractors, may decrease due to declines in general economic conditions, including personal consumption and residential construction investment in those regions. As a result, there is a possibility that the Company’s results of operations may be adversely affected significantly.

(2) Soaring Raw Materials Prices and Difficulties in Procurement of Raw Materials

The Company purchases substantial raw materials and parts from third-party suppliers. With the globalization of the business, procurement at overseas production bases is increasing, and the Company is promoting procurement at the optimal locations by building a global procurement network. However, if the prices of raw materials and parts substantially increase due to the supply and demand gap and changes in the market conditions, and if such a rise is

prolonged, they may have an adverse effect on the Company's profitability. In addition, if the Company has difficulties in procuring adequate supplies of raw materials and parts, there may be a material adverse effect on the Company's results of operations as production and sales activities may be disrupted.

(3) The Risks Associated with International Operations

The Company's businesses that have substantial overseas operations are exposed to the risks inherent in conducting business in those markets. If such risks materialize, the Company may face difficulties in stable production and sales of products, and may decrease revenue and increase procurement and transport costs which affect the Company's results of operations, and this may hinder growth of the Company. Material risks include:

- 1) Risks associated with changes in government licensing and subsidy policies in key markets
- 2) Risks associated with unexpected changes in tariffs and import/export quotas due to changes in international trade policies
- 3) Risks associated with unforeseen changes in laws and regulations in various countries
- 4) Geopolitical risks
- 5) Undeveloped technical standards and unstable industrial relations in developing countries
- 6) Difficulties in retaining qualified human resources
- 7) Risks associated with supply chain and logistics disruptions
- 8) Risks associated with unexpected changes in the taxation systems of countries
- 9) Risks associated with unanticipated outcomes in the transfer pricing issues

(4) Fluctuations in Foreign Currency Exchange Rates

The Company has a number of overseas manufacturing, sales, and financial leasing subsidiaries that contribute significantly to the Company's results of operations. The financial statements of overseas subsidiaries denominated in its local currency are reflected in the consolidated financial statements of the Company after translation into yen. In addition, Kubota Corporation exports to overseas subsidiaries or external customers that are generally denominated in their local currency, and the foreign currency earned is converted into yen. Therefore, fluctuations in the exchange rate between the local currency and the yen have an impact on the Company's results of operations. In general, the appreciation of the yen against other currencies has a negative impact on the results of operations of the Company. In order to mitigate the negative impact of exchange rate fluctuations, the Company has been transferring its production bases to overseas in accordance with "local production for local consumption" principle. Also, the Company utilizes foreign exchange forward contracts and other derivative instruments. Despite the Company's efforts to mitigate such risks, fluctuations in foreign currency exchange rates may adversely affect the Company's results of operations.

(5) Interest Rate Fluctuation Risk

The Company has interest-bearing liabilities, which are subject to fixed or variable interest rates. If interest rates rise, interest expenses will increase along with incentive costs related to financial leasing business, especially in the United States. The Company utilizes swap contracts and other derivative instruments to mitigate the impact of fluctuations of interest rates. However, despite the Company's efforts to mitigate such risks, fluctuations in interest rates may adversely affect the Company's results of operations.

(6) Stock Market Fluctuation Risk

The Company holds marketable securities, most of which are equity securities, and the fair value of these securities may fluctuate significantly depending on stock market. In addition, plan assets related to the retirement benefit plan may decrease due to a decline in stock market. The investment policy for plan assets is to achieve the best possible investment results under acceptable risk. In order to diversify risks, the Company balances its portfolio by carefully considering the industries, types of companies, and regions in which it invests, taking into consideration factors that affect investment returns, such as interest rate fluctuation risk, economic growth rates, and types of currencies. However, changes in the fair value of securities or a decrease in plan assets could have a significant impact on the Company's results of operations.

(7) Success or Failure of Strategic Alliances, Mergers, Acquisitions, etc., with Third Parties

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

(8) Competition with Other Companies

The Company is exposed to significant competition in each of its businesses. Unless the Company achieves a competitive advantage in areas such as terms of trade conditions, R&D, and quality of goods and services, the Company's revenues may decrease and could have a significant impact on the Company's results of operations.

(9) Products and Services

The Company strives to maintain and improve quality of products and services through education, efforts to prevent quality issues, and internal quality audits. However, if the Company's products and services are alleged to have serious defects, the Company may incur significant costs related to liability. If such claims are asserted, the Company's reputation and brand value may be damaged, which could cause a decline in demand for the Company's products, resulting in decreased revenues, and could have a significant impact on the Company's results of operations.

(10) Environmental Pollution

In order to ensure compliance with environmental laws and regulations and prevent environmental accidents, the Company has established an environmental management system and is striving to continuously improve rule-based operations and environmental conservation activities. However, despite the Company's efforts to mitigate such risks, the Company may incur significant costs and expenditures to take corrective measures or face litigation if the Company causes environmental contamination, including the emission of hazardous materials, air pollution, water pollution, and/or soil contamination. These factors may have a significant impact on the Company's results of operations.

(11) Asbestos-Related Issues

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

(12) Compliance Risk

The Company has declared its intention to conduct its corporate activities in compliance with legal regulations and ethical principles and to make efforts to ensure that all management and staff of the Company comply with various legal regulations, ethical standards, and internal regulations. However, in the event that compliance issues arise, there is a possibility that the Company may be subject to disciplinary action by government ministries supervising its activities or to lawsuits, or may suffer a loss of public confidence, which may result in a material adverse effect on the Company's results of operations.

(13) IT System and Networks

The Company is exposed to certain IT security risks, including threats to the confidentiality, availability, and integrity of its data and systems. In order to manage such risks, the Company has implemented the information security system, an integrated set of policies, processes, methodologies, teams, and technologies aimed at ensuring appropriate protection of the data. Despite such efforts, if the Company's IT system and networks are disrupted or experience a security breach, the Company may suffer from an opportunity loss due to production downtime, be subject to litigation or threat of litigation for information leakage, or the Company's intellectual property may be infringed. All of which in turn may cause the Company to incur significant costs. If such security breaches and other disruptions occur, the Company's reputation and brand value may also be damaged, and may lead to a decline in demand for its products and revenues. As a result, there is a possibility that the Company's results of operations may be adversely affected significantly.

(14) Environmental Laws and Regulations

The Company is subject to various environmental laws and regulations that apply to its products and activities. If these environmental laws and regulations, such as greenhouse gas emission controls, exhaust emission controls, and usage restrictions for certain materials used in the Company's products, are strengthened or newly established, the Company may be required to incur considerable expenses in order to comply with such laws and regulations. Such expenses may have a material adverse effect on the Company's results of operations.

(15) Damages Caused by Natural Disasters and Other Unpredictable Events

The Company conducts business activities in Japan, North America, Europe, Asia, and other regions. If unpredictable events, such as earthquakes, tsunamis, floods, typhoons, droughts, pandemics, wars, terrorist attacks, fires, information system or communication network breakdowns, and power outage or shortage, occur in countries and regions in which the Company operates, the Company's production, distribution, and sales activities may be disrupted. Global warming and climate change have increased the risk of disasters around the world recently. Furthermore, Japan is one of the most earthquake-prone countries in the world and can be subject to severe earthquakes or tsunamis.

While the COVID-19 pandemic has been ongoing, the Company conducts the business activities in accordance with the policies of governments and regional administrative agencies, giving top priority on preventing the spread of infection and ensuring the safety of customers and other stakeholders. In addition, online services in various aspects of business activities are utilized, and the Company continues to promote telecommuting and establish systems and environments that are tailored to the characteristics of each business sites.

However, the timing of the convergence of COVID-19 and its future impact remain uncertain and difficult to envision at this time. If the situation of COVID-19 deteriorates further in the future, it may have a material adverse effect on the Company's results of operations.

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

Forward-looking statements contained in this section are made based on the assumptions and judgements of the Company as of December 31, 2022.

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

The analysis and consideration of the Company's results of operations for the year ended December 31, 2022, are as follows:

1) Results of Operations

For the year ended December 31, 2022, revenue of Kubota Corporation and its subsidiaries increased by ¥482.0 billion [21.9%] from the prior year to ¥2,678.8 billion.

Domestic revenue decreased by ¥0.4 billion [0.1%] from the prior year to ¥602.4 billion due to decreased revenue in Farm & Industrial Machinery, mainly farm equipment, and Other, while revenue in Water & Environment increased.

Overseas revenue increased by ¥482.4 billion [30.3%] from the prior year to ¥2,076.4 billion because of increased revenue in both of Farm & Industrial Machinery and Water & Environment. As a result, overseas revenue accounted for 77.5% of consolidated revenue, which increased by 4.9 percentage points from the prior year.

Operating profit decreased by ¥25.6 billion [10.5%] from the prior year to ¥218.9 billion mainly due to some negative effects from a rise in material prices and logistics expenses despite some positive effects from sales price increase and favorable impact of foreign exchange rates. Profit before income taxes decreased by ¥17.0 billion [6.8%] from the prior year to ¥233.9 billion due to decreased operating profit. Income tax expenses were ¥59.1 billion. Share of profits of investments accounted for using the equity method was ¥1.6 billion. Profit for the year decreased by ¥12.8 billion [6.8%] from the prior year to ¥176.4 billion. Profit attributable to owners of the parent decreased by ¥18.6 billion [10.6%] from the prior year to ¥156.2 billion.

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

Farm & Industrial Machinery

Farm & Industrial Machinery segment is primarily engaged in the manufacture and sale of farm equipment, agricultural-related products, engines, and construction machinery.

Revenue in this segment increased by 24.8% from the prior year to ¥2,328.0 billion and accounted for 86.9% of the consolidated revenue.

Domestic revenue decreased by 2.5% from the prior year to ¥302.6 billion. Sales of farm equipment and agricultural-related products decreased due to sluggish rice price and termination of subsidies for business continuation of farmers.

Overseas revenue increased by 30.3% from the prior year to 2,025.4 billion. In North America, shipment of tractors has made progress to replenish dealer inventories although the market tends to shrink. In addition, sales of construction machinery increased due to demand for infrastructure construction. In Europe, sales, mainly of construction machinery and engines, were solid. In Asia outside Japan, development of dryland farming in Thailand has made progress despite decreased sales of farm equipment for rice farming due to adverse reaction from the government project in the prior year. In China, sales of tractors increased thanks to rush demand before the emission regulation, but this could not cover the decreased sales, mainly of rice transplanters, caused by the lockdown in the 1st half of this fiscal year. Sales in India increased due to consolidation of Escorts Limited (currently, Escorts Kubota Limited; hereinafter, "EKL") during the three months ended June 30, 2022.

Operating profit in this segment decreased by 4.7% from the prior year to ¥237.1 billion due to some negative effects from a rise in material prices and logistics expenses, while there were some positive effects from sales price increase and favorable impact of foreign exchange rates.

Water & Environment

Water & Environment segment is primarily engaged in the manufacture and sale of pipe system-related products (ductile iron pipes, plastic pipes, and other products), materials and urban infrastructure-related products (reformer and cracking tubes, spiral-welded steel pipes, air-conditioning equipment, and other products), and environment-related products (environmental control plants, pumps, and other products).

Revenue in this segment increased by 7.3% from the prior year to ¥327.6 billion and accounted for 12.2% of the consolidated revenue.

Domestic revenue increased by 4.1% from the prior year to ¥276.6 billion. Revenue in environment-related products decreased due to adverse reaction from the special demand for drainage pump vehicles in the prior year. On the other hand, revenue in pipe system-related products increased due to sales price increase and increased sales of plastic pipes. Revenue in materials and urban infrastructure-related products increased due to strong sales to factories in Japan.

Overseas revenue increased by 28.6% from the prior year to ¥51.0 billion due to solid sales of materials such as reformer and cracking tubes.

Operating profit in this segment decreased by 22.5% from the prior year to ¥17.3 billion due to increased expenses caused by inflation although sales price increase has compensated a rise in material prices.

Other

Other segment is primarily engaged in providing variety of services.

Revenue in this segment decreased by 12.8% from the prior year to ¥23.2 billion and accounted for 0.9% of the consolidated revenue.

Operating profit in this segment decreased by 16.5% from the prior year to ¥3.1 billion.

As mentioned above, the year ended December 31, 2022, was a year in which the market environment changed drastically due to geopolitical risks and accelerating inflation, including soaring energy prices, in addition to the shortage and disruption in the supply chain that continued from the previous year.

The Company is promoting Mid-term Business Plan 2025 and the progress made during the year is described in *1. Business Issues to Address (3) Promotion of Mid-term Business Plan 2025*. In this challenging environment, the Company has also made strategic moves for future growth, such as consolidation of EKL in India to accelerate market development

and establishment of new R&D bases in Japan and North America to build a global R&D network.

At the same time, amidst a drastically changing market environment, it has become necessary to respond to the new phase of globalization and increase the speed of business operations to achieve Mid-term Business Plan 2025 and realize the long-term vision of GMB2030. The situation of the Company and issues to address are described in *1. Business Issues to Address (2) Laying the Foundation to Realize GMB2030*.

2) Assets, Liabilities, and Equity

Assets

Total assets as of December 31, 2022, were ¥4,731.3 billion, an increase of ¥957.6 billion from the prior fiscal year-end. With respect to assets, trade receivables increased due to revenue increase in North America, and inventories increased mainly due to an increase in inventories in transit. In addition, goodwill increased along with the consolidation of EKL, and property, plant, and equipment increased mainly due to establishment of Kubota Global Institute of Technology.

Liabilities

With respect to liabilities, bonds and borrowings increased due to an increase in finance receivables and the acquisition of the shares of EKL.

Equity

Equity attributable to owner of the parent increased due to the accumulation of retained earnings and an improvement in other components of equity along with fluctuations mainly in foreign exchange rates. The ratio of equity attributable to owners of the parent to total assets stood at 39.8%, 4.7 percentage points lower than the prior fiscal year-end.

3) Analysis of Cash Flows

Net cash used in operating activities during the year ended December 31, 2022, was ¥7.7 billion, a decrease of ¥100.2 billion in net cash inflow compared with the prior year. This decrease was mainly due to an increase in trade receivables.

Net cash used in investing activities was ¥318.5 billion, an increase of ¥191.1 billion in net cash outflow compared with the prior year. This increase was mainly due to an increase in cash outflow related to acquisition of subsidiaries and property, plant, and equipment.

Net cash provided by financing activities was ¥282.6 billion, an increase of ¥222.0 billion in net cash inflow compared with the prior year mainly due to an increase in funding.

After taking into account the effects from exchange rate changes, cash and cash equivalents as of December 31, 2022, were ¥225.8 billion, a decrease of ¥32.8 billion from the beginning of the fiscal year.

Cash flows from operating activities and free cash flows are one of the important indicators used in Mid-term Business Plan 2025 and the Company will continue to improve them.

(2) Liquidity and Capital Resources

The Company's financial policy is to ensure adequate financing and liquidity for its operations and to strengthen the health of its consolidated statements of financial position.

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

The Company's internal sources of funds include cash flows generated by operating activities and cash and cash equivalents. In addition, the Company raises funds by borrowings from financial institutions, financing by securitization of receivables, and issuance of bonds and commercial paper (CP) in capital markets, if necessary. The Company's policy is to finance working capitals and capital expenditures primarily by internally generated funds and, to a lesser extent, by funds raised through borrowings from financial institutions, etc. Bonds and borrowings were primarily used in sales financing, consolidation of EKL and capital investment in the year ended December 31, 2022. Regarding bonds and borrowings, refer to Notes to Consolidated Financial Statements, Note 15. BONDS AND BORROWINGS.

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

(3) Production, Orders Received, and Revenue

1) Production Results

Consolidated production results by reporting segment for the year ended December 31, 2022, were as follows:

Reporting segment	Amount (millions of yen)	Change from the prior year (%)
Farm & Industrial Machinery	¥ 2,352,009	20.8
Water & Environment	340,104	8.8
Other	22,698	(14.9)
Total	¥ 2,714,811	18.8

(Notes)

1. Intersegment transfers are eliminated.
2. Amounts are recorded at sales price.

2) Orders Received

Consolidated orders received by reporting segment for the year ended December 31, 2022, were as follows:

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

Reporting segment	Amount (millions of yen)	Change from the prior year (%)	Balance (millions of yen)	Change from the prior year (%)
Farm & Industrial Machinery	¥ 3,204	264.5	¥ 5,352	1,546.8
Water & Environment	294,286	2.4	301,006	13.9
Other	4,903	(19.7)	3,017	(10.7)
Total	¥ 302,393	2.7	¥ 309,375	15.5

(Note)

Intersegment transfers are eliminated.

3) Revenue

Consolidated revenue by reporting segment for the year ended December 31, 2022, were as follows:

Reporting segment	Amount (millions of yen)	Change from the prior year (%)
Farm & Industrial Machinery	¥ 2,327,990	24.8
Water & Environment	327,602	7.3
Other	23,180	(12.8)
Total	¥ 2,678,772	21.9

(Notes)

1. Intersegment transfers are eliminated.
2. There were no customers whose revenue exceeded 10% or more of the Company's total consolidated revenue for the years ended December 31, 2022 and 2021.

(4) Significant Accounting Estimates and Assumptions

The Company prepares its consolidated financial statements in accordance with IFRS, which requires the application of accounting policies and the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those accounting estimates and assumptions. Estimates and assumptions are continually reviewed. The effects of a change in accounting estimates, if any, are recognized in the reporting period in which the change is made and in the future periods.

With regard to significant accounting estimates and assumptions, refer to Note 2. BASIS OF FINANCIAL STATEMENTS, Significant Accounting Judgements, Estimates, and Assumptions; and Note 3. SIGNIFICANT ACCOUNTING POLICIES of the Notes to Consolidated Financial Statements.

4. Material Contracts

Not applicable.

5. Research and Development (R&D) Activities

The Company considers food, water and the environment as a singular theme, and aims to realize a sustainable society through a proper cycle of these elements utilizing technology and solutions. The Company aims to contribute to the society by envisioning the social issues that could arise in the near future and developing products, services and businesses in anticipation of these issues. Being motivated by this mission, the Company's R&D department takes the initiative to develop products and technologies that are directly linked to each business while pursuing medium- to long-term R&D that supports the Company's sustainable growth.

As one of the main themes for Mid-term Business Plan 2025, the Company has taken up "initiatives to secure candidates of growth drivers for the next generation." The Company is establishing the foundation for realizing GMB2030 and is actively investing resources in R&D to succeed in global competition and realize sustainable growth.

The total R&D expenses for the year ended December 31, 2022, were ¥89.9 billion and the R&D expenses and major achievements by reporting segment are as follows. The R&D expenses and basic research expenses that are difficult to link to a particular reportable segment are collectively reported in "Other and Corporate" section.

(1) Farm & Industrial Machinery

R&D departments in this segment conducts development of farm equipment, agricultural-related products, engines, construction machinery and advanced research related to these products. Major achievements are as follows:

Development of the "KSAS API", an open source of farming data in the "KSAS" agricultural management support system

The Company has developed the "KSAS (*1) API (*2)" for system developers to enable them to utilize the farming data accumulated in the "KSAS" in various systems serviced by other companies.

The Company already provides data, such as operational information of farm equipment of the Company, through the "Farm Machinery Open API" of WAGRI, the public-private joint agricultural data collaboration platform. In addition, the Company will open the data accumulated in the KSAS, such as field information, agrochemical information, fertilizer information and work history, to enable easy integration with systems serviced by other companies. This will improve convenience for users using both the KSAS and systems serviced by other companies.

(Notes)

1. Abbreviation for Kubota Smart Agri System; a system provided by the Company to support farm operations.
2. Abbreviation for Application Programming Interface; a set of defined rules that enable efficient sharing of functions for different applications to communicate with each other.

Development of AgriRobo Tractor "MR1000AH (KVT specification)"

The Company has expanded the lineup of the AgriRobo tractors by developing the "MR1000AH (KVT specification)" equipped with a continuously variable transmission, KVT (*3). The main features are as follows:

- 1) Manned mode allow autonomous driving with an operator on board the tractor. The operator can easily check the finished condition of the field, which improves work accuracy and reduces operator fatigue. In addition, even unskilled operators can easily operate the tractor. Unmanned mode enables unmanned autonomous driving of the tractor under the supervision of the user. The tractor can be started and stopped automatically from a remote location using a standard equipped wireless remote control, and the depth of tillage and vehicle speed can also be instructed using a monitoring tablet, allowing work to be performed in accordance with the conditions of the field. Simultaneous operation with the owned tractor contributes to a significant improvement in work efficiency.
- 2) Mapping a field by driving a perimeter of the field and entering a necessary information for an operation will automatically generate the most effective work route that matches the field shape, allowing even unskilled operators to work efficiently. A function that allows the operator to automatically move to the starting position of the work, taking into account the width of headlands, by simply pressing a switch minimizes losses such as excessive overlap and residual tillage.

- 3) Adaptable to “tillage,” “plowing,” “rough tillage,” “fertilizer application,” and “seeding” operations. The number of applicable implements has been greatly expanded by allowing arbitrary setting of the working width and size of implements.
- 4) The tractor is equipped with a forward auto-steering function, which allows unskilled operators to perform various types of work with high precision and improve work efficiency as the tractor can handle the steering operation when moving straight, even during the work not covered by the automatic operation. A “route auto-steering function” that enables automatic steering for work around headlands remained after automatic operation in the center of the field, and a “backward auto-steer function” that enables automatic steering not only when moving forward, but also when moving backward, are newly featured.
- 5) The transmission is a continuously variable KVT, which enables smooth driving from start to maximum speed without gearshift operation. The transmission enables the brake to be stopped without clutching for smooth starting and prevents the tractor from sliding down when starting uphill with a hill-starting support function. The cruise function improves work efficiency by automatically increase or decrease engine speed according to the load to maintain a constant vehicle speed during speed-intensive work.

(Note)

3. Abbreviation for Kubota Variable Transmission.

Development of the onion conditioner, “KOC-10”

The Company has developed the onion conditioner, “KOC-10”, which contributes to the savings of labor and effort in onion conditioning work. The main features are as follows:

- 1) Damage to onions is reduced as the height difference between the supply unit and the main unit is small.
- 2) The onion roots are cut using a pendulum trajectory for highly precise root cutting.
- 3) Cut roots are automatically discharged from the machine by a discharge conveyor, eliminating the need for periodic cleaning and allowing continuous operation.
- 4) The layout of the supply section and the main unit can be selected to suit the workplace.

The R&D expenses in this segment were ¥60.0 billion.

(2) Water & Environment

R&D departments in this segment conducts product development of pipe system-related products (ductile iron pipes, plastic pipes and other products,) materials and urban infrastructure-related products (reformer and cracking tubes, spiral welded steel pipes, air-conditioning equipment and other products), environment-related products (environmental control plants, pumps, and other products) and advanced research related to these products. Major achievements are as follows:

Development of the AI anomaly detection system (digital version) for manhole pumps

The Company has developed the AI anomaly detection system that can be applied to all manhole pumps in Japan. The main features are as follows:

- 1) Abnormality detection based on pump operation time and frequency has made it possible to detect abnormalities without additional sensors such as current value, flow rate, and water level, which were required in the past.
- 2) The system can be applied even to manhole pumps without current or water level sensors, and can be applied without limiting the manufacturer of manhole pumps. This made the new system applicable to all manhole pumps in Japan, compared with a coverage rate of about 25% for the previous analog version of the system.
- 3) The system was selected for “Breakthrough by Dynamic Approach in Sewage High Technology Project (commonly known as B-DASH Project)” lead by Ministry of Land, Infrastructure, Transport and Tourism of Japan. Demonstration tests were conducted at 201 manhole pumps in three local governments, and the system was evaluated as having achieved sufficient results in terms of improving efficiency and establishing operating methods.

Development of the cylindrical centrifugal dehydrator (high centrifugal force model), "SCM-G series"

The Company has expanded the lineup of the cylindrical centrifugal dehydrator and developed the high centrifugal force model, "SCM-G series." The main features are as follows:

- 1) The maximum centrifugal effect has been increased from 2,500 G to 3,500 G, which enables stable low cake moisture content even with difficult-to-dehydrate sludge.
- 2) A hydraulic motor system is used to drive the screw shaft, enabling powerful conveyance and discharge of dewatered cake with low moisture content.
- 3) The amount of cake generated can be reduced by approximately 25% (*4) compared to the decanter type.
- 4) Greenhouse gas (GHG) emissions can be reduced by approximately 87% (*5) compared to the decanter type.

(Notes)

4. Amount of cake generated assuming mixed raw sludge.
5. Assuming cake incineration and include the effect of reducing auxiliary fuel.

The R&D expenses in this segment were ¥ 5.1 billion.

(3) Other and Corporate

The Company is promoting K-ESG management, and in the area of research and development, the Company is accelerating its effort to create innovations that contribute to solving environmental and social issues. In terms of carbon neutrality, the Company is committed to the commercialization of BEVs (*6) for farm equipment and construction machinery, and to the realization of new power sources such as fuel cells and hydrogen.

In addition, the Company continues to focus on R&D efforts that the Company has been pursuing to improve combustion efficiency and other aspects of fuel efficiency, as well as to increase biodiesel content. Furthermore, the Company will achieve carbon neutrality by bringing together various initiatives such as work loss reduction and optimal energy-saving operation through the autonomous driving technology and the application of biomass (agricultural and food residues).

With regard to smart agriculture, the Company has already established, ahead of competitors, the autonomous driving technology for tractors, combine harvesters and rice transplanters, and is promoting research on the use of AI and advanced sensors to make equipment even easier to use. Data-driven agriculture initiatives, including the use of weather information, growth models, and remote sensing, have been enhanced by systematic promotion of field demonstrations.

The Company has also made steady progress in the research and development related to the collaboration of the KSAS agricultural support system, the WATARAS (*7) farm water management system and the KSIS (*8) water environment platform, including research on a smart rice paddy dam.

(Notes)

6. Abbreviation for Battery Electric Vehicle.
7. Abbreviation for Water for Agriculture Remote Actuated System; a farm water management system developed by the Company that allows users to remotely and automatically control water flowing in and out of rice paddies while monitoring water levels on a smartphone or PC.
8. Abbreviation for Kubota Smart Infrastructure System; a solution system utilizing the internet of things (IoT) in the water and environment field.

The R&D expenses in this segment were ¥24.8 billion.

3. Property, Plant, and Equipment

1. Summary of Capital Investment

The Company's capital investment focuses on investments to strengthen R&D capabilities for business expansion, IT investment to promote DX, investment to increase production to meet increasing demand, and rationalization investment to strengthen competitiveness. The Company also invests in environmental conservation, safety and health, and BCP measures.

The capital investment for the year ended December 31, 2022, was ¥169,424 million, and the breakdown is as follows:

	For the year ended December 31, 2022 (millions of yen)	For the year ended December 31, 2021 (millions of yen)	Change from the prior year (%)
Farm & Industrial Machinery	¥ 124,043	¥ 92,196	134.5
Water & Environment	11,066	10,395	106.5
Other	567	539	105.2
Corporate	33,748	18,229	185.1
Total	¥ 169,424	¥ 121,359	139.6

(Note)

The amounts do not include consumption taxes.

The details of major investments are as follows:

Farm & Industrial Machinery

Investments were made to establish new R&D bases in Japan and North America, and to increase manufacturing capacity.

Water & Environment

Investments were made to renew obsolete facilities.

Corporate

Investments were made to establish the new R&D base in Japan and to strengthen the IT infrastructure.

For the year ended December 31, 2022, there was no sale, disposal, or damage to property, plant, and equipment that would have a material impact on production capacity.

Losses on sale and disposal of property, plant, and equipment for routine upgrades amounted to ¥3,594 million and ¥3,108 million for the years ended December 31, 2022 and 2021, respectively.

2. Major Property, Plant, and Equipment

The Company's major property, plant, and equipment at December 31, 2022, were as follows:

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

Carrying amounts are amounts presented in the statement of financial position of each company.

(1) Kubota Corporation

(As of December 31, 2022)

(As of December 31, 2022)									
Facility (Main location)	Reporting segment	Details of production item or business contents	Carrying amounts (millions of yen)						Number of employees
			Buildings and structures	Machinery and equipment and others	Land		Construction in progress	Total	
					Area (㎡ in thousands)	Amount			
Hanshin Plant (Amagasaki-shi, Hyogo, JAPAN)	Water & Environment	Ductile iron pipes	2,893	3,842	(1) 365	1,930	1,211	9,876	591
Keiyo Plant (Funabashi-shi, Chiba, JAPAN)	Water & Environment	Ductile iron pipes	2,264	2,895	445	10,664	1,263	17,086	367
Ichikawa Plant (Ichikawa-shi, Chiba, JAPAN)	Water & Environment	Spiral welded steel pipes	567	1,629	(21) 62	513	227	2,936	123
Okajima Business Center (Taisho-ku, Osaka, JAPAN)	Farm & Industrial Machinery, Water & Environment	Casting parts	1,719	2,806	(1) 90	42	1,203	5,770	374
Kubota Global Institute of Technology (Sakai-shi, Osaka, JAPAN)	Farm & Industrial Machinery, Corporate	Research and development (R&D)	64,344	11,697	(7) 1,199	22,916	3,194	102,151	2,474
Sakai Plant (Sakai-shi, Osaka, JAPAN)	Farm & Industrial Machinery	Farm equipment, engines, construction machinery	21,245	26,787	(8) 361	7,730	2,509	58,271	2,349
Utsunomiya Plant (Utsunomiya-shi, Tochigi, JAPAN)	Farm & Industrial Machinery	Farm equipment	1,264	3,548	146	188	180	5,180	434
Tsukuba Plant (Tsukubamirai-shi, Ibaraki, JAPAN)	Farm & Industrial Machinery	Farm equipment, engines	7,340	18,792	(22) 395	3,260	2,691	32,083	1,865
Hirakata Plant (Hirakata-shi, Osaka, JAPAN)	Farm & Industrial Machinery, Water & Environment	Construction machinery, pumps, valves, steel castings	7,783	6,656	304	672	1,653	16,764	1,465
Shiga Plant (Konan-shi, Shiga, JAPAN)	Water & Environment	Wastewater treatment plant (Johkasou)	822	179	178	1,032	25	2,058	60
Kyuhoji Business Center (Yao-shi, Osaka, JAPAN)	Farm & Industrial Machinery	Precision equipment	426	382	38	1,521	44	2,373	185
Head Office, Tokyo Head Office, Other regional offices, etc. (Naniwa-ku, Osaka, JAPAN, etc.) (Note 2)	Farm & Industrial Machinery, Water & Environment, Corporate	Administration, sales, R&D, etc.	14,369	2,046	1,649	26,329	360	43,104	2,187

(Notes)

- Kubota Corporation leases part of its land and buildings. The related rental expenses for such assets were ¥1.2 billion for the year ended December 31, 2022. Figures in parentheses are the areas of leased land. Leased land and buildings are mainly used for storage yards and sales bases.
- Land is used for factories, distribution and sales bases, recreation facilities, and other purposes.

(2) Domestic subsidiaries

(As of December 31, 2022)

Company name	Facility (Main location)	Reporting segment	Details of production item or business contents	Book value (millions of yen)						Number of employees
				Buildings and structures	Machinery and equipment and others	Land		Construction in progress	Total	
						Area (㎡ in thousands)	Amount			
Kubota ChemiX Co., Ltd.	Head office, regional offices, factories (Amagasaki-shi, Hyogo, JAPAN, etc.)	Water & Environment	Plastic pipes, fittings	284	4,952	(103) —	—	1,772	7,008	657

(Note)

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

(3) Overseas subsidiaries

(As of December 31, 2022)

Company name	Facility (Main location)	Reporting segment	Details of production item or business contents	Book value (millions of yen)						Number of employees
				Buildings and structures	Machinery and equipment and others	Land		Construction in progress	Total	
						Area (㎡ in thousands)	Amount			
Kubota North America Corporation	Head office (Delaware, USA)	Farm & Industrial Machinery	Administration	13,253	80	3,003	4,943	21	18,297	102
Kubota Tractor Corporation	Head office, regional offices (Texas, etc., USA)	Farm & Industrial Machinery	Administration, sales, etc.	13,876	1,655	811	1,716	8,322	25,569	1,077
Kubota Manufacturing of America Corporation	Head Factory (Georgia, USA)	Farm & Industrial Machinery	Tractors, outdoor power equipment	6,298	4,401	154	62	2,136	12,897	1,853
Kubota Industrial Equipment Corporation	Head Factory (Georgia, USA)	Farm & Industrial Machinery	Implements, tractors, construction machinery	4,080	2,099	356	394	1,428	8,001	1,282
Great Plains Manufacturing Inc. and 18 subsidiaries	Head office, factory (Kansas, USA)	Farm & Industrial Machinery	Implements, construction machinery	7,307	10,025	1,790	742	2,821	20,895	2,129
SIAM KUBOTA Corporation Co., Ltd.	Head office, factories (Pathumthani, etc., THAILAND)	Farm & Industrial Machinery	Tractors, combine harvesters, implements, horizontal type diesel engines	7,310	5,281	496	2,955	1,513	17,059	2,711
Escorts Kubota Ltd. and 5 subsidiaries	Head office, factories (Haryana, India, etc.)	Farm & Industrial Machinery	Tractors, construction machinery	2,602	8,039	(365) 522	17,586	1,184	29,411	3,953

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

The Company develops a capital investment plan based on comprehensive consideration of factors such as future business demand and cash flows.

Planned capital investment for the year ending December 31, 2023, is approximately ¥180.0 billion. The Company intends to fund its capital investment primarily through internally generated funds and partially through borrowings from financial institutions.

Followings are major plans for capital investment:

New Construction

Company name (Location)	Reporting segment	Description	Estimated amount of expenditures		Schedule	
			Total amount of expenditures	Amount already paid	Commenced	To be completed
Kubota Corporation Okajima Business Center (Taisho-ku, Osaka, JAPAN)	Farm & Industrial Machinery	Improving production efficiency of high value added casting and establishing BCP	(millions of JPY) 22,820	(millions of JPY) 1,168	October 2019	December 2027
Kubota Corporation Head Office (Naniwa-ku, Osaka, JAPAN)	Farm & Industrial Machinery	Establishing enterprise resource planning system	(millions of JPY) 31,345	(millions of JPY) 24,379	December 2019	December 2023
Kubota Corporation Sakai Plant (Sakai-shi, Osaka, JAPAN)	Farm & Industrial Machinery	Establishing BCP	(millions of JPY) 29,200	(millions of JPY) 868	January 2021	October 2026
Kubota Corporation Tsukuba Plant (Tsukubamirai-shi, Ibaraki, JAPAN)	Farm & Industrial Machinery	Establishing BCP and constructing training facilities	(millions of JPY) 15,000	(millions of JPY) 1,768	March 2021	December 2025
Great Plains Manufacturing, Inc. (Kansas, USA)	Farm & Industrial Machinery	Equipment to expand production of compact construction machinery	(millions of USD) 124	(millions of USD) 1	April 2022	June 2024
Kubota Corporation Tsukuba Plant (Tsukubamirai-shi, Ibaraki, JAPAN)	Farm & Industrial Machinery	Restructuring of the Eastern Parts Center in Japan	(millions of JPY) 13,000	(millions of JPY) 69	May 2022	April 2024
Kubota Industrial Equipment Corporation (Georgia, USA)	Farm & Industrial Machinery	Equipment to expand production of implements	(millions of USD) 140	(millions of USD) 1	June 2022	August 2024
Kubota Corporation Hirakata Plant (Hirakata-shi, Osaka, JAPAN)	Farm & Industrial Machinery	Equipment to expand production of compact construction machinery	(millions of JPY) 16,950	(millions of JPY) 205	July 2022	December 2026

There are no material plans for disposals, etc. of property, plant, and equipment.

4. Information on Kubota Corporation

1. Information on the Shares of Kubota Corporation

(1) Total Number of Shares

1) Total Number of Shares

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

2) Issued Shares

Class	Number of shares issued as of end of period (shares) (December 31, 2022)	Number of shares issued as of filing date (shares) (March 24, 2023)	Stock exchange on which Kubota Corporation is listed	Description
Common shares	1,191,006,846	1,191,006,846	Tokyo Stock Exchange (the Prime Market)	The number of shares per unit of shares is 100 shares.
Total	1,191,006,846	1,191,006,846	—	—

(2) Information on Stock Option Plans

1) Details of Stock Option Plans

Not applicable.

2) Information on Shareholder Right Plans

Not applicable.

3) Information on other Stock Option Plans

Not applicable.

(3) Information on Moving Strike Convertible Bonds

Not applicable.

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

Date	Changes in the total number of issued shares (thousands of shares)	Balance of the total number of issued shares (thousands of shares)	Changes in common shares (millions of yen)	Balance of common shares (millions of yen)	Changes in capital reserve (millions of yen)	Balance of capital reserve (millions of yen)
April 20, 2018 (Note 1)	32	1,234,056	¥ 30	¥ 84,130	¥ 30	¥ 73,117
December 28, 2018 (Note 2)	(1,500)	1,232,556	¥ —	¥ 84,130	¥ —	¥ 73,117
September 30, 2019 (Note 2)	(11,980)	1,220,576	¥ —	¥ 84,130	¥ —	¥ 73,117
October 30, 2020 (Note 2)	(12,000)	1,208,576	¥ —	¥ 84,130	¥ —	¥ 73,117
December 30, 2021 (Note 2)	(8,330)	1,200,246	¥ —	¥ 84,130	¥ —	¥ 73,117
September 30, 2022 (Note 2)	(9,240)	1,191,006	¥ —	¥ 84,130	¥ —	¥ 73,117

(Notes)

- The increase was due to issuance of new shares for the purpose of granting restricted stock compensation.
 Price of issuance (per share): ¥ 1,845.00
 Price of paid-in-capital (per share): ¥ 922.50
 Recipients of shares to be allocated: Six Directors of Kubota Corporation, excluding Outside Directors, and non-resident of Japan
- The decrease was due to retirement of treasury shares.

(5) Shareholders Composition

(As of December 31, 2022)

Class of shareholders	Status of shares (one unit of shares: 100 shares)								Number of shares less than one unit (shares)
	Government and municipality	Financial institution	Financial instruments business operator	Other institution	Overseas shareholders		Individuals and others	Total	
					Corporations	Individuals			
Number of shareholders	—	122	65	1,017	854	253	93,971	96,282	—
Share Ownership (units)	—	5,463,391	460,859	417,631	4,492,637	1,138	1,069,991	11,905,647	442,146
Ownership percentage of shares (%)	—	45.89	3.86	3.51	37.74	0.01	8.99	100.00	—

(Notes)

- Of 8,574 treasury shares, 85 units are included in the *Individuals and others* column while 74 shares are included in the *Number of shares less than one unit* column. Treasury shares do not include 1,492,300 shares (14,923 units) of Kubota Corporation held by the trust in connection with the stock compensation plan. The same applies hereinafter in 4. *Information on Kubota Corporation* section.
- The *Other institution* column includes 10 units registered in the name of Japan Securities Depository Center, Incorporated.

(6) Major Shareholders

(As of December 31, 2022)

Name	Address	Share ownership (thousands of shares)	Ownership percentage to the total number of issued shares (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo, JAPAN	193,258	16.23
Nippon Life Insurance Company	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo, JAPAN	62,542	5.25
Meiji Yasuda Life Insurance Company	1-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo, JAPAN	59,929	5.03
Custody Bank of Japan, Ltd. (Trust account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo, JAPAN	52,411	4.40
Sumitomo Mitsui Banking Corporation	1-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo, JAPAN	36,006	3.02
Mizuho Bank, Ltd.	5-5, Otemachi 1-chome, Chiyoda-ku, Tokyo, JAPAN	31,506	2.65
Moxley & Co. LLC (Standing proxy: Mizuho Bank, Ltd.)	270 Park Avenue, New York, NY, 10017, USA (15-1, Konan 2-chome, Minato-ku, Tokyo, JAPAN)	27,998	2.35
SMBC Nikko Securities Inc.	3-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo, JAPAN	23,596	1.98
BNYM TREATY DTT 15 (Standing proxy: MUFG Bank, Ltd.)	240 Greenwich Street, New York, NY, 10286, USA (7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo, JAPAN)	20,378	1.71
STATE STREET BANK WEST CLIENT-TREATY 505234 (Standing proxy: Mizuho Bank, Ltd.)	1776 Heritage Drive, North Quincy, MA, 02171, USA (15-1, Konan 2-chome, Minato-ku, Tokyo, JAPAN)	18,358	1.54
Total	—	525,984	44.16

(Notes)

- The shares held by The Master Trust Bank of Japan, Ltd. (Trust account) and Custody Bank of Japan, Ltd. (Trust account) are invested as their fiduciary services.

2. The change report pertaining to the large shareholding report by Sumitomo Mitsui DS Asset Management Company, Ltd. dated June 5, 2020, is available for public inspection. However, the information in the report is not stated in the preceding table, except for Sumitomo Mitsui Banking Corporation, since Kubota Corporation has not confirmed the actual status of shareholdings as of the record date for the exercise of voting rights. A summary of the report as of May 29, 2020, is as follows:

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

3. The change report pertaining to the large shareholding report by Mitsubishi UFJ Financial Group, Inc. dated December 20, 2021, is available for public inspection. However, the information in the report is not stated in the preceding table since Kubota Corporation has not confirmed the actual status of shareholdings as of the record date for the exercise of voting rights. A summary of the report as of December 13, 2021, is as follows:

Name	Share ownership (thousands of shares)	Ownership percentage to the total number of issued shares (%)
MUFG Bank, Ltd.	18,156	1.50
Mitsubishi UFJ Trust and Banking Corporation	56,258	4.65
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	10,130	0.84
Total	84,545	7.00

4. The change report pertaining to the large shareholding report by Mizuho Bank, Ltd. dated April 22, 2022, is available for public inspection. However, the information in the report is not stated in the preceding table, except for Mizuho Bank, Ltd., since Kubota Corporation has not confirmed the actual status of shareholdings as of the record date for the exercise of voting rights. A summary of the report as of April 15, 2022, is as follows:

Name	Share ownership (thousands of shares)	Ownership percentage to the total number of issued shares (%)
Mizuho Bank, Ltd.	31,506	2.62
Mizuho Securities Co., Ltd.	2,014	0.17
Asset Management One Co., Ltd.	31,855	2.65
Total	65,376	5.45

5. The change report pertaining to the large shareholding report by BlackRock Japan Co., Ltd. dated November 4, 2022, is available for public inspection. However, the information in the report is not stated in the preceding table since Kubota Corporation has not confirmed the actual status of shareholdings as of the record date for the exercise of voting rights. A summary of the report as of October 31, 2022, is as follows:

Name	Share ownership (thousands of shares)	Ownership percentage to the total number of issued shares (%)
BlackRock Japan Co., Ltd.	20,655	1.73
Aperio Group, LLC	1,371	0.12
BlackRock (Netherlands) B.V.	2,885	0.24
BlackRock Fund Managers Ltd.	3,705	0.31
BlackRock Asset Management Ireland Ltd.	10,445	0.88
BlackRock Fund Advisors	17,612	1.48
BlackRock Institutional Trust Company, N.A.	13,938	1.17
BlackRock Investment Management (UK) Ltd.	1,900	0.16
Total	72,515	6.09

6. The change report pertaining to the large shareholding report by Sumitomo Mitsui Trust Bank, Ltd. dated November 21, 2022, is available for public inspection. However, the information in the report is not stated in the preceding table since Kubota Corporation has not confirmed the actual status of shareholdings as of the record date for the exercise of voting rights. A summary of the report as of November 15, 2022, is as follows:

Name	Share ownership (thousands of shares)	Ownership percentage to the total number of issued shares (%)
Sumitomo Mitsui Trust Bank, Ltd.	19,572	1.64
Sumitomo Mitsui Trust Asset Management Co., Ltd.	38,551	3.24
Nikko Asset Management Co., Ltd.	24,903	2.09
Total	83,027	6.97

7. The change report pertaining to the large shareholding report by Massachusetts Financial Services Company dated December 22, 2022, is available for public inspection. However, the information in the report is not stated in the preceding table since Kubota Corporation has not confirmed the actual status of shareholdings as of the record date for the exercise of voting rights. A summary of the report as of December 15, 2022, is as follows:

Name	Share ownership (thousands of shares)	Ownership percentage to the total number of issued shares (%)
Massachusetts Financial Services Company	44,811	3.76
MFS Investment Management K.K.	1,570	0.13
Total	46,382	3.89

(7) Information on Voting Rights

1) Issued Shares

(As of December 31, 2022)

Classification		Number of shares (shares)	Number of voting rights	Description
Shares without voting rights		—	—	—
Shares with restricted voting rights (treasury shares, etc.)		—	—	—
Shares with restricted voting rights (others)		—	—	—
Shares with full voting rights (treasury shares, etc.)	(Treasury shares)			
	Common shares:	8,500	—	—
	(Crossholding shares)			
	Common shares:	718,400		
Shares with full voting rights (others)	Common shares:	1,189,837,800	11,898,378	—
Shares less than one unit	Common shares:	442,146	—	Shares less than one unit (100 shares)
Number of issued shares		1,191,006,846	—	—
Total number of voting rights		—	11,898,378	—

(Note)

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

2) Treasury Shares

(As of December 31, 2022)

Name of shareholder	Address	Number of shares held under own name (shares)	Number of shares held under the names of others (shares)	Total shares held (shares)	Ownership percentage to the total number of issued shares (%)
(Treasury shares)					
Kubota Corporation	2-47, Shikitsuhigashi 1-chome, Naniwa-ku, Osaka, JAPAN	8,500	—	8,500	0.00
(Crossholding shares)					
Akita Kubota Corporation	295-38, Terauchikamiyashiki, Akita-shi, Akita, JAPAN	41,400	—	41,400	0.00
Minami Tohoku Kubota Corporation	16-1, Takakura Sugishita, Hiwadamachi, Koriyama-shi, Fukushima, JAPAN	102,000	—	102,000	0.01
Hokuriku Kinki Kubota Corporation	956-1, Shimokashiwanomachi, Hakusan-shi, Ishikawa, JAPAN	9,000	—	9,000	0.00
Fukuoka Kyushu Kubota Corporation	11-36, Noma 1-chome, Minami-ku, Fukuoka-shi, Fukuoka, JAPAN	566,000	—	566,000	0.05
Total crossholding shares	—	718,400	—	718,400	0.06
Total	—	726,900	—	726,900	0.06

(8) Director and Employee Stock Ownership Plan

Kubota Corporation has introduced the performance-linked stock compensation plan using a trust for the Directors, excluding Outside Directors, in accordance with a resolution of the 132nd General Meeting of Shareholders held on March 18, 2022.

Kubota Corporation has also introduced the performance-linked stock compensation plan for Executive Officers who have entered into a mandate contract with Kubota Corporation (hereinafter, “Mandated Executive Officers”) as well as the stock compensation plan using a trust (collectively with the performance-linked stock compensation plan, the “Plan”) for Executive Officers who have are employed by Kubota Corporation (herein after, “Employed Executive Officers”).

Under the Plan, the trust established by Kubota Corporation for the operation of the performance-linked stock compensation plan (hereinafter, the “RS Trust for Directors and Mandated Executive Officers”) and the trust established by Kubota Corporation for the operation of the stock compensation plan (hereinafter, the “RS Trust for Employed Executive Officers”) acquire common shares of Kubota Corporation, and these common shares of Kubota Corporation equivalent to the number of points granted to the Directors, excluding Outside Directors, Mandated Executive Officers and Employed Executive Officers (collectively, the “Target”) are delivered to the Target through the trust. By concluding a transfer restriction agreement between Kubota Corporation and the Target, shares concerned are transfer restricted until their retirement.

A summary of each trust under the Plan is as follows:

	RS Trust for Directors and Mandated Executive Officers	RS Trust for Employed Executive Officers
Trustor	Kubota Corporation	
Trustee	Sumitomo Mitsui Trust Bank, Limited (Re-trust trustee: Custody Bank of Japan, Ltd.)	
Beneficiaries	Directors, excluding Outside Directors, and Mandated Executive Officers who satisfy the beneficiary requirements	Employed Executive Officers who satisfy the beneficiary requirements
Trust administrator	Akasaka International Accounting Co., Ltd.	
Exercise of voting rights	No voting rights pertaining to the shares in the trust shall be exercised throughout the term of the trust	The trust administrator gives instructions for exercising voting rights for shares in the trust
Type of the trust	Cash in trust other than money trusts (with third-party beneficiaries)	
Trust agreement date	May 19, 2022	
Date entrusted	May 19, 2022	
Number of shares held by the trust (as of submission date of Annual Securities Report)	1,372,300 shares	120,000 shares
Trust termination date	April 30, 2027 (plan)	April 30, 2025 (plan)

2. Information on Acquisition of Treasury Shares

Class of Shares: Acquisition of common shares under Article 155, Items 3 and 7 of the Companies Act of Japan (hereinafter, the “Act”).

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

Not applicable.

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

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

Classification	Number of shares (shares)	Total amount (Yen)
Details on resolution at the Meeting of the Board of Directors held on April 20, 2022 (Term of validity: from April 21, 2022 to December 15, 2022)	11,500,000	¥ 20,000,000,000
Treasury shares acquired before the year ended December 31, 2022	—	—
Treasury shares acquired for the year ended December 31, 2022	9,245,400	19,999,869,300
Treasury shares not acquired for the year ended December 31, 2022	2,254,600	130,700
Percentage of remaining treasury shares not acquired as of December 31, 2022 (%)	19.6	0.0
Treasury shares acquired during the current period	—	—
Percentage of remaining treasury shares not acquired as of filing date (%)	19.6	0.0

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

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

Classification	Number of shares (shares)	Total amount (Yen)
Treasury shares acquired for the year ended December 31, 2022	967	¥ 2,146,984
Treasury shares acquired during the current period	178	333,597

(Note)

Treasury shares acquired during the current period do not include shares consisting of less than one unit purchased during the period from March 1, 2023, to the filing date of this Annual Securities Report.

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

Classification	Year ended December 31, 2022		Current period	
	Number of shares (shares)	Total disposition amount (Yen)	Number of shares (shares)	Total disposition amount (Yen)
Acquired treasury shares for which subscribers were solicited	—	¥ —	—	¥ —
Acquired treasury shares which was retired	9,240,000	19,988,892,000	—	—
Acquired treasury shares for which transfer of shares was conducted due to merger, share exchange, or company separation	—	—	—	—
Others (sold shares consisting of less than one unit)	61	148,307	—	—
Total number of treasury shares held	8,574	—	8,752	—

(Notes)

Number of shares and *Total disposition amount* during the current period do not include shares consisting of less than one unit acquired or sold during the period from March 1, 2023, to the filing date of this Annual Securities Report.

3. Dividend Policy

Kubota Corporation considers the appropriate return of profits to shareholders to be one of its most important management issue and strive to enhance such returns, while maintaining sound management and responding to the future business environment.

Kubota Corporation's basic dividend policy is to maintain and enhance stable dividends. Furthermore, the basic policy for shareholder returns is to flexibly purchase and retire treasury shares, and Kubota Corporation has set a target of 40% or more for the total return ratio (the ratio of the total amount of dividends paid and the amount of treasury shares retired divided by the profit for the year attributable to owners of the parent) and aims to further improve this ratio. The amount of dividends is determined based on comprehensive consideration of business performance trends, financial position, total return ratio, and other factors. Surplus will be used for working capital and capital investment to strengthen profitability, expand business and other purposes.

Based on the above policy, ¥22 per share was declared as the year-end dividend for the current fiscal year. As a result, the total annual dividend, including the interim dividend of ¥22 per share, will be ¥44 per share.

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

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

Dividends whose record dates belong to the current fiscal year are as follows:

Date of resolution	Cash dividends (millions of yen)	Cash dividends per share (Yen)
The Meeting of the Board of Directors on August 3, 2022	¥ 26,294	¥ 22.00
The Meeting of the Board of Directors on February 14, 2023	¥ 26,202	¥ 22.00

The amount of dividends based on the Meeting of the Board of Directors on August 3, 2022, and February 14, 2023, includes dividends of ¥33 million in respect of shares of Kubota Corporation held by the trust in connection with the stock compensation plan.

4. Corporate Governance

(1) Corporate Governance

1) Basic Policy on Corporate Governance

Kubota Corporation considers the long-term and stable growth of corporate value to be the highest management priority, and to achieve this, Kubota Corporation considers it is important to satisfy the stakeholders surrounding the company and enhance the overall value of the company while balancing economic and social values. Especially, in order to achieve the long-term objectives of building Kubota brand as GMB on the basis of the corporate philosophy *Kubota Global Identity*, Kubota Corporation must be an enterprise that is trusted not just in Japan but also worldwide. In order to further enhance the soundness, efficiency, and transparency of the management, which are essential to be trusted, Kubota Corporation is striving to strengthen the corporate governance.

2) Corporate Governance Structure

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

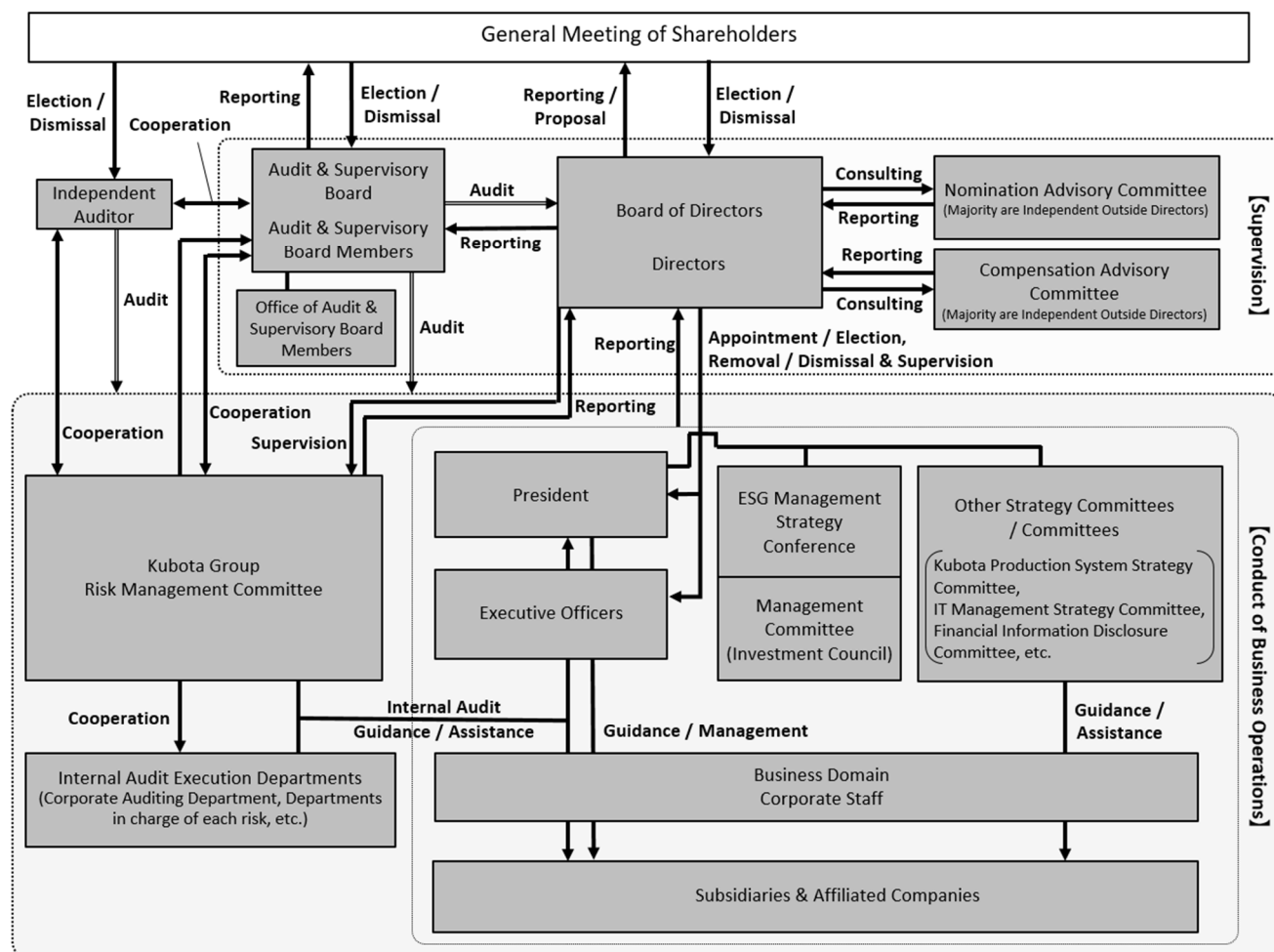
Kubota Corporation is a company with the Audit & Supervisory Board and established a voluntary Nomination Advisory Committee and Compensation Advisory Committee.

In addition, Kubota Corporation has adopted the Executive Officer System to strengthen business execution by each region and workplace, and make prompt and appropriate business decisions.

Kubota Corporation has a wide range of business domain that includes the areas of food, water, and the environment. The Board of Directors makes decisions on major fundamental management policies based on the perspectives of internal Directors with in-depth experience and knowledge in particular areas of Kubota Corporation's businesses as well as the objective viewpoints and broad knowledge of Outside Directors. The Board of Directors also

supervises and oversees the Executive Officers' conduct of business. Furthermore, the Audit & Supervisory Board Members, who are legally independent from the Board of Directors, provide a monitoring function through the highly effective, independent audit function which ensures more comprehensive supervision function. Kubota Corporation has determined that the establishment of the voluntary Nomination Advisory Committee and Compensation Advisory Committee, where a majority of members are Outside Directors, will ensure objectivity and transparency in the personnel affairs and compensation of the Directors and Senior Management, and promote sustainable growth and enhance its corporate value in the medium to long term, while ensuring sound, efficient, and effective management.

In order to realize aforementioned management structure, Kubota Corporation has adopted the following corporate governance structure as of the submission date of the Annual Securities Report.



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

The Audit & Supervisory Board oversees and audits the execution of duties by the Directors. In addition to its regular monthly Audit & Supervisory Board Meetings, it also meets as and when required to discuss and make decisions with regard to auditing policies, audit reports, and other matters.

With regards to the Nomination Advisory Committee and the Compensation Advisory Committee, which are advisory bodies to the Board of Directors on the appointment of the Director candidates and the remuneration plan for the Directors, more than half of the members are Outside Directors and the Outside Director is appointed as the chairman of the committee, in order to incorporate an independent and objective perspective.

The Nomination Advisory Committee has met three times during the year ended December 31, 2022, for the purpose of discussing the appointment of candidates for the Board of Directors and the Advisers. The composition and diversity of the Board of Directors was also discussed in the committee using the skills matrix. From the current fiscal year, the committee has also added "Matters relating to the selection and dismissal of the President and succession planning" to its deliberation agenda, and actively discussed the qualities and abilities required for the top management of

the Company, as well as methods for their development. The activities of the Nomination Advisory Committee in the current fiscal year were as follows:

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

The Compensation Advisory Committee has met seven times during the year ended December 31, 2022, for the purpose of discussing the consistency of remuneration levels of the Directors, Executive Officers and Advisors and the appropriateness of the remuneration plan. The activities of the Compensation Advisory Committee in the current fiscal year were as follows:

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

In addition, the Company has established the ESG Management Strategy Conference, the Management Committee and the Investment Council to make decisions and deliberate on specific important issues. The ESG Management Strategy Conference formulates policies and evaluates major measures for the realization of the long-term vision of the Company, GMB2030, and the creation of medium to long-term corporate value. The Management Committee deliberates and make decisions on important management issues, such as investments and loans, in accordance with the mid-term business plan. 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 which requires authorization of the President and on certain special issues, excluding items deliberated by the Management Committee.

The following table presents members of each meeting, committee, conference and council as of the filing date of the Annual Securities Report (◎: chairman; ○: member; □: attendee; △: observer).

Position	Name	Board of Directors' Meeting	Nomination Advisory Committee	Compensation Advisory Committee	Audit & Supervisory Board Meeting	ESG Management Strategy Conference	Management Committee	Investment Council
President and Representative Director	Yuichi Kitao	◎	○			◎	◎	
Representative Director and Executive Vice President	Masato Yoshikawa	○	○	○		○	○	◎
Director and Executive Vice President	Dai Watanabe	○				○	○	
Director	Hiroto Kimura	○				○	○	○
Director	Eiji Yoshioka	○				○	○	
Director	Shingo Hanada	○				○	○	
Outside Director (Independent Executive)	Yuzuru Matsuda	○	◎	◎				
Outside Director (Independent Executive)	Koichi Ina	○	○	○				
Outside Director (Independent Executive)	Yutaro Shintaku	○	○	○				
Outside Director (Independent Executive)	Kumi Arakane	○	○	○				
Outside Director (Independent Executive)	Koichi Kawana	○	○	○				
Audit & Supervisory Board Member	Toshikazu Fukuyama	□			◎		△	
Audit & Supervisory Board Member	Yasuhiko Hiyama	□			○		△	
Audit & Supervisory Board Member	Masashi Tsunematsu	□			○			△
Outside Audit & Supervisory Board Member (Independent Executive)	Yuichi Yamada	□		△	○			
Outside Audit & Supervisory Board Member (Independent Executive)	Yuri Furusawa	□			○			
Outside Audit & Supervisory Board Member (Independent Executive)	Keijiro Kimura	□			○			
Executive Officer	Kazuhiro Kimura		○	○		○	○	○
Executive Officer	Koichi Yamamoto					○	○	○
Executive Officer	Kazushi Ito					○	○	○
Executive Officer	Hideo Takigawa					○		○
Other Executive Officers (Note)								

(Note)

Refer to (2) Directors and Senior Management 1) List of Directors and Senior Management for their names.

b) Status of the Development of Internal Control System

As a basis for ensuring the Directors, Executive Officers, and employees to execute their duties in compliance with laws, regulations and the Articles of Incorporation, Kubota Corporation established the Kubota Group Charter for Action & Code of Conduct to be followed by all Directors, Executive Officers, and employees of the Kubota Group.

Kubota Corporation has established the Kubota Group Risk Management Committee to develop a management system for risks that may have a significant impact on the management, with the aim of enhancing the corporate value. Under this committee, a department in charge designated for each risk category of management risks (the “Department in Charge”) undertakes activities, such as education and training to promote compliance with laws and ethics, and performs internal audits. Kubota Corporation has established the *Kubota Hot Line*, a service counter for in-house whistleblowing and consultations, to discover any improper conduct that infringes on laws or other regulations and to prevent such infringements from occurring at an early stage. The protection of whistleblowers is ensured by internal regulations.

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

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

Under the Kubota Group Risk Management Committee, the Department in Charge or relevant committees are responsible for Group-wide risk management activities by preparing internal rules, regulations, manuals and other guidelines to deal with business and operational risks of the entire Kubota Group, such as compliance, environment, health and safety, disasters and quality. In addition, the Kubota Group Risk Management Committee designates a Department in Charge to respond to new risks that arise in Kubota Corporation, and this department is responsible for risk management.

Kubota Corporation properly stores and manages information on the execution of duties by the Directors and the Executive Officers in accordance with its in-house rules and regulations, such as the regulations on custody of documents. These documents are available for examination as necessary.

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

To create a Group-wide control environment, Kubota Corporation has established the “Kubota Group Charter for Action” and “Kubota Group Code of Conduct,” and the philosophies contained in this charter and code of conduct are shared throughout the Kubota Group. To ensure proper business operations of the Kubota Group, Kubota Corporation sets its in-house rules and regulations and establishes proper internal control systems. The status of the design and operation of internal control systems related to management risks, including the internal control systems over financial reporting, is audited by the internal auditing department and departments in charge, after self-audits performed by each department of Kubota Corporation and its subsidiaries. The results of audits are reported to the Directors in charge, the Kubota Group Risk Management Committee, the President and Representative Director, the Board of Directors, and the Audit & Supervisory Board Members.

Subsidiaries are managed in accordance with Kubota Corporation’s subsidiary management regulations to ensure the appropriateness of their operations. Subsidiaries report their operations and the status of execution of duties by their Directors to the department in charge at Kubota Corporation. Kubota Corporation places importance on the business ties between subsidiaries and operating divisions of Kubota Corporation, and ensures the efficiency of the execution of duties of their Directors by designating primary management departments of subsidiaries, receiving reports on management plans and other matters from subsidiaries, and discussing them at the management review committees and other means.

e) Overview of Agreements on Limitation of Liabilities

Pursuant to Article 427, paragraph 1 of the Act, Kubota Corporation enters into agreements with each of the Outside Directors and the Outside Audit & Supervisory Board Members to limit their liabilities for damages. The maximum amount of their liabilities under these agreements is the amount provided for in laws and regulations.

f) Overview of Directors and Officers Liability Insurance

Kubota Corporation has a Directors and Officers Liability Insurance (D&O insurance) policy, as stipulated in Article 430-3, paragraph 1 of the Act, insuring all Directors (including Outside Directors) and Audit & Supervisory Board Members (including Outside Audit & Supervisory Board Members.) The insurance cover liability of Directors and Audit &

Supervisory Board Members arising in the performance of their duties and damage claims received pertaining to the pursuit of said liability. However, there are certain exemptions, such as no coverage for liability arising from actions taken with the knowledge that they were in violation of laws and regulations.

3) Others

a) Quorum of Directors

As of the submission date of this Annual Securities Report, the Articles of Incorporation of Kubota Corporation state that the number of Directors is to be 13 or less.

b) Requirement for the Adoption of Resolutions for Electing Directors

Kubota Corporation stipulates, in its Articles of Incorporation, that the election of a Director shall be made by a majority of the voting rights of the shareholders present at the meeting where the shareholders holding at least one-third of the voting rights of the shareholders entitled to exercise their voting rights at such meetings are present.

c) Acquisition of Treasury Shares

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

d) Dividend Appropriated from Surplus

Kubota Corporation stipulates, in its Articles of Incorporation, that unless otherwise provided for by laws and regulations, Kubota Corporation, by resolution of Meetings of the Board of Directors, determines dividends of surplus and other matters set forth in Article 459, paragraph 1 of the Act, as to return profits to shareholders in a flexible manner.

e) Interim Dividends

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

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

Kubota Corporation stipulates, in its Articles of Incorporation, that resolutions of a General Meeting of Shareholders as prescribed in Article 309, paragraph 2 of the Act shall be made by at least two-thirds of the voting rights of the shareholders present at the meeting where the shareholders holding at least one-third of the voting rights of the shareholders entitled to exercise their voting rights at such meetings are present. By relaxing the requirements for a quorum for special resolutions of General Meetings of Shareholders, deliberations for those resolutions can be made in a quick and efficient manner.

(2) Directors and Senior Management

1) List of Directors and Senior Management

Male: 15, Female: 2 (percentage of females among Directors and Audit & Supervisory Board Members: 12%)

Position	Responsibility	Name	Date of birth		Business experience	Term of office	Share ownership (thousands of shares)
President and Representative Director of Kubota Corporation		Yuichi Kitao	Jul. 15, 1956	Apr. 1979	Joined Kubota Corporation	Note 3	114
				Apr. 2005	General Manager of Tractor Engineering Dept. of Kubota Corporation		
				Apr. 2009	Senior Executive Officer, General Manager of Tractor Division of Kubota Corporation		
				Jan. 2011	President of Kubota Tractor Corporation		
				Apr. 2013	Managing Executive Officer of Kubota Corporation		
				Oct. 2013	General Manager of Farm and Utility Machinery Division, General Manager of Farm and Utility Machinery International Operations Headquarters of Kubota Corporation		
				Jun. 2014	Director and Managing Executive Officer of Kubota Corporation		
				Apr. 2015	Director and Senior Managing Executive Officer, General Manager of Farm and Industrial Machinery Domain of Kubota Corporation		
				Jan. 2019	Executive Vice President and Representative Director, General Manager of Farm and Industrial Machinery Consolidated Division of Kubota Corporation		
				Jun. 2019	General Manager of Innovation Center of Kubota Corporation		
				Jan. 2020	President and Representative Director of Kubota Corporation (to present)		
Representative Director and Executive Vice President of Kubota Corporation	General Manager of Planning and Control Headquarters, General Manager of Global ICT Headquarters	Masato Yoshikawa	Jan. 27, 1959	Apr. 1981	Joined Kubota Corporation	Note 3	65
				Feb. 2008	General Manager of Ductile Iron Pipe Planning Dept. of Kubota Corporation		
				Oct. 2009	General Manager of Pipe Systems Planning Dept. of Kubota Corporation		
				Oct. 2010	General Manager of Corporate Planning and Control Dept. of Kubota Corporation		
				Apr. 2012	Senior Executive Officer of Kubota Corporation		
				Oct. 2013	President of Kubota Tractor Corporation		
				Apr. 2015	Managing Executive Officer of Kubota Corporation		
				Mar. 2017	Director and Managing Executive Officer of Kubota Corporation		
				Jan. 2018	Director and Senior Managing Executive Officer of Kubota Corporation		
				Jan. 2019	General Manager of Planning and Control Headquarters (to present), General Manager of Global IT Management Dept. of Kubota Corporation		
				Apr. 2019	General Manager of Global ICT Headquarters of Kubota Corporation (to present)		
				Jan. 2020	Director and Executive Vice President of Kubota Corporation		
				Jan. 2022	Representative Director and Executive Vice President of Kubota Corporation (to present)		

Position	Responsibility	Name	Date of birth		Business experience	Term of office	Share ownership (thousands of shares)
Director and Executive Vice President of Kubota Corporation	General Manager of Farm and Industrial Machinery Consolidated Division, General Manager of Innovation Center	Dai Watanabe	Oct. 2, 1958	Apr. 1984	Joined Kubota Corporation	Note 3	81
				Jun. 2008	General Manager of Farm and Industrial Machinery International Planning and Control Dept. of Kubota Corporation		
				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	General Manager of Agricultural Implement Business Unit of Kubota Corporation		
				Jan. 2017	Managing Executive Officer, General Manager of Agricultural Implement Division of Kubota Corporation		
				Oct. 2017	President of Kubota Holdings Europe B.V.		
				Jan. 2018	General Manager of Agricultural Implement Division of Kubota Corporation		
				Jan. 2019	Senior Managing Executive Officer, General Manager of Farm and Industrial Machinery Strategy and Operations Headquarters of Kubota Corporation		
				Mar. 2019	Director and Senior Managing Executive Officer of Kubota Corporation		
				Jun. 2019	Deputy General Manager of Innovation Center of Kubota Corporation		
				Jan. 2020	General Manager of Farm and Industrial Machinery Consolidated Division (to present), General Manager of Innovation Center (to present) of Kubota Corporation		
				Jan. 2023	Director and Executive Vice President of Kubota Corporation (to present)		
Director and Senior Managing Executive Officer of Kubota Corporation	General Manager of Research and Development Headquarters, General Manager of Kubota Global Institute of Technology, Deputy General Manager of Innovation Center, General Manager of Carbon Neutral Promotion Dept.	Hiroto Kimura	May 6, 1961	Apr. 1984	Joined Kubota Corporation	Note 3	26
				Apr. 2007	General Manager of Rice Transplanter Engineering Dept. of Kubota Corporation		
				Apr. 2010	General Manager 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, President of SIAM KUBOTA Corporation Co., Ltd.		
				Sep. 2019	President of Kubota Research and Development Asia Co., Ltd.		
				Jan. 2020	Managing Executive Officer, Deputy General Manager of Innovation Center (to present), Deputy General Manager of Research and Development Headquarters, Deputy General Manager of ASEAN Farm and Industrial Machinery Strategy and Operations Headquarters of Kubota Corporation		
				Jan. 2021	General Manager of Research and Development Headquarters (to present), General Manager of Carbon Neutral Promotion Dept. (to present) of Kubota Corporation		
				Mar. 2022	Director and Managing Executive Officer of Kubota Corporation		
				Sep. 2022	General Manager of Kubota Global Institute of Technology of Kubota Corporation (to present)		
				Jan. 2023	Director and Senior Managing Executive Officer of Kubota Corporation (to present)		

Position	Responsibility	Name	Date of birth		Business experience	Term of office	Share ownership (thousands of shares)
Director and Senior Managing Executive Officer of Kubota Corporation	General Manager of Water and Environment Infrastructure Consolidated Division, Deputy General Manager of Innovation Center, General Manager of Tokyo Head Office	Eiji Yoshioka	Nov. 17, 1958	Apr. 1981	Joined Kubota Corporation	Note 3	26
				Apr. 2005	General Manager of Quality Assurance and Manufacturing Promotion Dept. of Kubota Corporation		
				Apr. 2010	General Manager of Tsukuba Plant of Kubota Corporation		
				Apr. 2013	General Manager of Air Conditioning Equipment Business Unit of Kubota Corporation, President of Kubota Air Conditioner, Ltd.		
				Jan. 2016	Senior Executive Officer, General Manager of Materials Division of Kubota Corporation		
				Jan. 2019	Responsible for Special Tasks Assigned by President of Kubota Corporation		
				Jan. 2020	Managing Executive Officer, General Manager of Pipe Systems and Infrastructure Division of Kubota Corporation		
				Jan. 2022	Senior Managing Executive Officer, General Manager of Water and Environment Infrastructure Consolidated Division (to present), Deputy General Manager of Innovation Center (to present), General Manager of Tokyo Head Office (to present) of Kubota Corporation		
				Mar. 2023	Director and Senior Managing Executive Officer of Kubota Corporation		
Director and Managing Executive Officer of Kubota Corporation	President of Kubota North America Corporation, President of Kubota Tractor Corporation	Shingo Hanada	Nov. 14, 1963	Apr. 1989	Joined Kubota Corporation	Note 3	6
				Apr. 2015	General Manager of Tractor Planning and Sales Promotion Dept. of Kubota Corporation		
				Jan. 2017	General Manager of Agricultural Tractor Planning and Sales Promotion Dept. of Kubota Corporation		
				Jan. 2018	General Manager of Outdoor Power Equipment Business Unit, General Manager of Outdoor Power Equipment Business Planning and Development Dept. of Kubota Corporation		
				Jan. 2019	Senior Executive Officer, General Manager of Outdoor Power Equipment Division of Kubota Corporation		
				Feb. 2020	General Manager of Outdoor Power Equipment Business Planning and Development Dept. of Kubota Corporation		
				Jan. 2021	President of Kubota Holdings Europe B.V., President of Kverneland AS		
				Jan. 2022	Managing Executive Officer of Kubota Corporation, President of Kubota North America Corporation (to present), President of Kubota Tractor Corporation (to present)		
				Mar. 2023	Director and Managing Executive Officer of Kubota Corporation (to present)		

Position	Responsibility	Name	Date of birth		Business experience	Term of office	Share ownership (thousands of shares)
Director of Kubota Corporation		Yuzuru Matsuda	Jun. 25, 1948	Apr. 1977	Joined Kyowa Hakko Kogyo Co., Ltd. (currently, Kyowa Kirin Co., Ltd.)	Note 3	29
				Jun. 1999	Director of Drug Discovery Research Laboratories, Pharmaceutical Research Institute of Kyowa Hakko Kogyo Co., Ltd.		
				Jun. 2000	Executive Officer, Executive Director of Pharmaceutical Research Institute of Kyowa Hakko Kogyo Co., Ltd.		
				Jun. 2002	Executive Director, Director of Corporate Planning Department of Kyowa Hakko Kogyo Co., Ltd.		
				Jun. 2003	President and Chief Operating Officer of Kyowa Hakko Kogyo Co., Ltd.		
				Oct. 2008	President and Chief Executive Officer of Kyowa Hakko Kirin Co., Ltd. (currently, Kyowa Kirin Co., Ltd.)		
				Jun. 2012	President of Kato Memorial Bioscience Foundation		
				Jun. 2014	Director of Kubota Corporation (to present)		
				Jun. 2014	Director of Bandai Namco Holdings, Inc.		
				Jun. 2015	Director of JSR Corporation		
				Jun. 2019	Director Emeritus of Kato Memorial Bioscience Foundation (to present)		
Director of Kubota Corporation		Koichi Ina	May 6, 1948	Apr. 1973	Joined Toyota Motor Corporation	Note 3	24
				Jan. 1998	General Manager of the Motomachi Plant Machining Division of Toyota Motor Corporation		
				Jun. 2000	Division General Manager of the Motomachi Plant Administration Division of Toyota Motor Corporation		
				Jun. 2002	Board of Director; Plant Manager, Honsha Plant; Plant Manager, Motomachi Plant of Toyota Motor Corporation		
				Jun. 2003	Managing Officer, General Manager of Global Production Center of Toyota Motor Corporation		
				Jun. 2004	Plant Manager, Myochi Plant of Toyota Motor Corporation		
				Jun. 2005	Plant Manager, Takaoka Plant; Plant Manager, Tsutsumi Plant of Toyota Motor Corporation		
				Jun. 2006	Plant Manager, Miyoshi Plant of Toyota Motor Corporation		
				Jun. 2007	Senior Managing Director; Chief Officer, Production Planning Group; Chief Officer, Manufacturing Group of Toyota Motor Corporation		
				Jun. 2009	Executive Vice President of Daihatsu Motor Co., Ltd.		
				Jun. 2010	President of Daihatsu Motor Co., Ltd.		
				Jun. 2013	Chairman of Daihatsu Motor Co., Ltd.		
				Jun. 2015	Director of Kubota Corporation (to present)		
				Jun. 2019	Director of Sansha Electric Manufacturing Co., Ltd. (to present)		

Position	Responsibility	Name	Date of birth		Business experience	Term of office	Share ownership (thousands of shares)
Director of Kubota Corporation		Yutaro Shintaku	Sep. 19, 1955	Apr. 1979	Joined Toa Nenryo Kogyo K.K. (currently, ENEOS Corporation)	Note 3	9
				Jan. 1999	Joined Terumo Corporation		
				Jun. 2005	Executive Officer of Terumo Corporation		
				Jun. 2006	Director and Executive Officer of Terumo Corporation		
				Jun. 2007	Director and Senior Executive Officer, In charge of R&D Center, Intellectual Property Dept. and Legal Dept. of Terumo Corporation		
				Jun. 2009	Director and Managing Executive Officer, General Manager of Strategy Planning Dept., In charge of Human Resources Dept. and Accounting & Finance Dept. of Terumo Corporation		
				Jun. 2010	President and Representative Director of Terumo Corporation		
				Apr. 2017	Director and Adviser of Terumo Corporation		
				Jun. 2017	Director of Santen Pharmaceutical Co., Ltd. (to present)		
				Jun. 2017	Director of J-Oil Mills, Inc.		
				Mar. 2018	Director of Kubota Corporation (to present)		
				Apr. 2018	Visiting Professor of Hitotsubashi University Business School		
				Apr. 2019	Special Professor of Hitotsubashi University Business School (to present)		
				Sep. 2019	Director of KOZO KEIKAKU ENGINEERING Inc. (to present)		
Director of Kubota Corporation		Kumi Arakane	Jul. 4, 1956	Apr. 1981	Joined KOBAYASHI KOSÉ COMPANY LIMITED (currently, KOSÉ Corporation)	Note 3	8
				Mar. 2002	Senior Chief Researcher of R&D Headquarters Advanced Cosmetic Research Laboratories of KOSÉ Corporation		
				Mar. 2004	General Manager of Product Development Dept. of KOSÉ Corporation		
				Mar. 2006	Executive Officer, Deputy Director-General of Marketing Headquarters of KOSÉ Corporation		
				Mar. 2010	General Manager of R&D Laboratories of KOSÉ Corporation		
				Mar. 2011	General Manager of Quality Assurance Dept., Marketing Supervisor-General of KOSÉ Corporation		
				Jun. 2011	Director, in charge of Quality Assurance Dept., Customer Service Center, Purchasing Dept., Product Designing Dept. of KOSÉ Corporation		
				Jun. 2017	Audit & Supervisory Board Member of KOSÉ Corporation		
				Mar. 2019	Audit & Supervisory Board Member of Kubota Corporation		
				Mar. 2020	Director of Kagome Co., Ltd. (to present)		
				Jun. 2020	Director of TODA CORPORATION (to present)		
				Mar. 2021	Director of Kubota Corporation (to present)		

Position	Responsibility	Name	Date of birth		Business experience	Term of office	Share ownership (thousands of shares)
Director of Kubota Corporation		Koichi Kawana	Apr. 23, 1958	Apr. 1982	Joined JGC CORPORATION (currently, JGC HOLDINGS CORPORATION)	Note 3	—
				Jul. 1997	General Manager, Abu Dhabi Office; General Manager, Kuwait Office of JGC CORPORATION		
				Jul. 2001	General Manager, London Office of JGC CORPORATION		
				May 2004	General Manager, Project Business Investment Promotion Dept. of JGC CORPORATION		
				Jul. 2007	Executive Officer; General Manager, New Business Promotion Division of JGC CORPORATION		
				Aug. 2007	Senior General Manager, New Business Promotion Division of JGC CORPORATION		
				Jul. 2009	Managing Director; Senior General Manager, Global Marketing Division of JGC CORPORATION		
				Jun. 2010	Representative Director, Senior Executive Vice President of JGC CORPORATION		
				Jul. 2011	Representative Director and President (COO) of JGC CORPORATION		
				Jun. 2012	Representative Director and President of JGC CORPORATION		
				Jun. 2017	Director, Vice Chairman of JGC CORPORATION		
				Jun. 2019	Director of TOKYO ELECTRON DEVICE LIMITED (to present)		
				Jun. 2019	Director of Bandai Namco Holdings Inc. (to present)		
				Jun. 2019	Director (Audit and Supervisory Committee Member) of COMSYS Holdings Corporation (to present)		
				Jun. 2020	Director of RENOVA, Inc. (to present)		
				Dec. 2020	Director of ispace, inc. (to present)		
Audit & Supervisory Board Member of Kubota Corporation (Full time)		Toshikazu Fukuyama	Jun. 11, 1955	Apr. 1979	Joined Kubota Corporation	Note 4	18
				Oct. 2005	General Manager of Corporate Planning and Control Dept. of Kubota Corporation		
				Oct. 2009	Vice President of THE SIAM KUBOTA INDUSTRY CO., LTD. (currently, SIAM KUBOTA Corporation Co., Ltd.), Director of Siam Kubota Leasing Co., Ltd.		
				Aug. 2010	Vice President of SIAM KUBOTA Corporation Co., Ltd.		
				Jun. 2014	Audit & Supervisory Board Member of Kubota Corporation (to present)		

Position	Responsibility	Name	Date of birth		Business experience	Term of office	Share ownership (thousands of shares)
Audit & Supervisory Board Member of Kubota Corporation (Full time)		Yasuhiko Hiyama	Dec. 25, 1957	Apr. 1981	Joined Kubota Corporation	Note 4	23
				Apr. 2008	President of Kubota Industrial Equipment Corporation		
				Apr. 2010	General Manager of Tractor Planning and Sales Promotion Dept. of Kubota Corporation		
				Apr. 2012	General Manager of Farm and Utility Machinery Planning and Sales Promotion Dept. of Kubota Corporation		
				Apr. 2014	General Manager of Farm and Utility Machinery Business Unit I, General Manager of Farm and Utility Machinery Planning and Sales Promotion Dept. I, General Manager of Farm and Utility Machinery Planning and Sales Promotion Dept. II of Kubota Corporation		
				Apr. 2015	General Manager of Tractor and Utility Machinery Business Unit of Kubota Corporation		
				Jan. 2016	Executive Officer of Kubota Corporation		
				Jan. 2017	General Manager of Compact Tractor, Turf and Utility Vehicle Business Unit of Kubota Corporation		
				Jan. 2018	Deputy General Manager of Tractor Division of Kubota Corporation		
				Mar. 2018	Audit & Supervisory Board Member of Kubota Corporation (to present)		
Audit & Supervisory Board Member of Kubota Corporation (Full time)		Masashi Tsunematsu	Mar. 10, 1964	Apr. 1986	Joined Kubota Corporation	Note 4	6
				Jun. 2010	General Manager of Water Engineering & Solution Planning Dept. of Kubota Corporation		
				Jan. 2018	General Manager of Environmental Business Planning and Sale Dept. of Kubota Corporation		
				Feb. 2019	General Manager of Water and Environment Infrastructure Management Dept. of Kubota Corporation		
				Jan. 2022	Water and Environment Infrastructure Consolidated Division of Kubota Corporation		
				Mar. 2022	Audit & Supervisory Board Member of Kubota Corporation (to present)		

Position	Responsibility	Name	Date of birth		Business experience	Term of office	Share ownership (thousands of shares)
Audit & Supervisory Board Member of Kubota Corporation (Part time)		Yuichi Yamada	Mar. 25, 1954	Oct. 1984	Joined Asahi & Co. (currently, KPMG AZSA LLC)	Note 5	4
				Mar. 1988	Registered as a Certified Public Accountant of Japan		
				Aug. 2003	Representative Partner of Asahi & Co. (currently, KPMG AZSA LLC)		
				Jun. 2008	Board Member of KPMG AZSA & Co. (currently, KPMG AZSA LLC)		
				Sep. 2011	Deputy Tokyo Office Managing Partner of KPMG AZSA LLC		
				Jul. 2015	Chairman of Tokyo Partners Meeting of KPMG AZSA LLC		
				Jun. 2016	Audit & Supervisory Board Member of Japan Finance Corporation (to present)		
				Jul. 2016	Representative of Yuichi Yamada Certified Public Accountant Firm (to present)		
				Jun. 2017	Audit & Supervisory Board Member of Sumitomo Metal Mining Co., Ltd.		
				Mar. 2020	Audit & Supervisory Board Member of Kubota Corporation (to present)		
Audit & Supervisory Board Member of Kubota Corporation (Part time)		Yuri Furusawa	Jul. 22, 1963	Apr. 1986	Joined Ministry of Transport	Note 6	3
				Dec. 2000	Administrator, Organisation for Economic Co-operation and Development (OECD)		
				Jul. 2004	Director for International Policy Planning, Ministry of Land, Infrastructure and Transport		
				Jul. 2006	Director, International Affairs and Crisis Management Division, Japan Coast Guard		
				Jul. 2008	Counsellor, Cabinet Secretariat (Office of Assistant Chief Cabinet Secretary)		
				Aug. 2011	Deputy General Manager, International Sales Department, Shiseido Company, Limited		
				Jul. 2014	Assistant Vice-Minister for International Affairs, Ministry of Land, Infrastructure, Transport and Tourism		
				Sep. 2015	Vice-Commissioner, Japan Tourism Agency		
				Jun. 2016	Councillor, Cabinet Secretariat, Cabinet Bureau of Personnel Affairs		
				Jul. 2019	Minister's Secretariat, Ministry of Land, Infrastructure, Transport and Tourism		
				Mar. 2021	Audit & Supervisory Board Member of Kubota Corporation (to present)		
				Jun. 2022	Audit & Supervisory Board Member of SUBARU CORPORATION (to present)		

Position	Responsibility	Name	Date of birth		Business experience	Term of office	Share ownership (thousands of shares)
Audit & Supervisory Board Member of Kubota Corporation (Part time)		Keijiro Kimura	Apr. 14, 1961	Apr. 1987	Registered as an attorney at law of Japan (to present) Joined Showa Law Office	Note 4	1
				Jan. 1994	Registered as an attorney at law of New York State (to present)		
				May 1998	Established Kyoei Law Office (to present)		
				Jun. 2000	Audit & Supervisory Board Member of Okada Aiyon Corporation		
				Sep. 2007	Audit & Supervisory Board Member of NAGAOKA INTERNATIONAL CORPORATION		
				Jun. 2009	Audit & Supervisory Board Member of CHARLE CO., LTD.		
				Jan. 2011	Representative partner of Kyoei Law Office (to present)		
				Mar. 2015	Audit & Supervisory Board Member of Nippon Electric Glass Co., Ltd.		
				Mar. 2022	Audit & Supervisory Board Member of Kubota Corporation (to present)		
				Total	450		

(Notes)

1. Among the Directors, Yuzuru Matsuda, Koichi Ina, Yutaro Shintaku, Kumi Arakane, and Koichi Kawana are the Outside Directors.
2. Among the Audit & Supervisory Board Members, Yuichi Yamada, Yuri Furusawa, and Keijiro Kimura are the Outside Audit & Supervisory Board Members.
3. The terms of office of the Directors will expire at the close of the Ordinary General Meeting of Shareholders for the year ending December 31, 2023, and began with the election at the Ordinary General Meeting of Shareholders for the year ended December 31, 2022.
4. The terms of office of the Audit & Supervisory Board Members will expire at the close of the Ordinary General Meeting of Shareholders for the year ending December 31, 2025 and began with the election at the Ordinary General Meeting of Shareholders for the year ended December 31, 2021.
5. The terms of office of the Audit & Supervisory Board Members will expire at the close of the Ordinary General Meeting of Shareholders for the year ending December 31, 2023 and began with the election at the Ordinary General Meeting of Shareholders for the year ended December 31, 2019.
6. The terms of office of the Audit & Supervisory Board Members will expire at the close of the Ordinary General Meeting of Shareholders for the year ending December 31, 2024 and began with the election at the Ordinary General Meeting of Shareholders for the year ended December 31, 2020.
7. Kubota Corporation has appointed the substitute Outside Audit & Supervisory Board Member as stipulated in Article 329, paragraph 3 of the Act in preparation for a shortage in the number of Outside Audit & Supervisory Board Member stipulated in the law. Brief professional background of the substitute Outside Audit & Supervisory Board Member is as follows:

Name	Date of birth		Business experience	Share ownership (thousands of shares)
Hogara Iwamoto	Jun. 22, 1969	Apr. 1995	Registered as an attorney at law of Japan (to present)	—
		May 2008	Joined Asunaro Law Office	
		May 2010	Representative Partner of Asunaro Legal Professional Corporation, Asunaro Law Office (to present)	
		Apr. 2020	Vice Chairperson of the Osaka Bar Association	

8. Kubota Corporation adopted the Executive Officer System. The Executive Officers, excluding persons who also hold the post of the Director as of the filing date, are as follows:

Position	Name	Responsibility
Senior Managing Executive Officer of Kubota Corporation	Yuji Tomiyama	Deputy General Manager of Farm and Industrial Machinery Consolidated Division, Deputy General Manager of Innovation Center
Senior Managing Executive Officer of Kubota Corporation	Kazuhiro Kimura	General Manager of Corporate Compliance and Risk Management Headquarters, General Manager of Human Resources and General Affairs Headquarters, In charge of ESG Promotion, General Manager of Head Office, General Manager of Kubota Technical Training Center
Senior Managing Executive Officer of Kubota Corporation	Nikhil Nanda	General Manager of Value-Innovative Farm and Industrial Machinery Strategy and Operations Department, Chairman and Managing Director of Escorts Kubota Limited
Senior Managing Executive Officer of Kubota Corporation	Nobuyuki Ishii	General Manager of Farm and Industrial Machinery Strategy and Operations Headquarters, General Manager of ASEAN Farm and Industrial Machinery Strategy and Operations Headquarters
Managing Executive Officer of Kubota Corporation	Kazunari Shimokawa	General Manager of Agricultural Implement Division
Managing Executive Officer of Kubota Corporation	Ryuichi Minami	Deputy General Manager of ASEAN Farm and Industrial Machinery Strategy and Operations Headquarters
Managing Executive Officer of Kubota Corporation	Yoshimitsu Ishibashi	General Manager of Tractor Division
Managing Executive Officer of Kubota Corporation	Yasukazu Kamada	President of Kubota Holdings Europe B.V., President of Kverneland AS
Managing Executive Officer of Kubota Corporation	Katsuhiko Yukawa	General Manager of Construction Machinery Division
Managing Executive Officer of Kubota Corporation	Muneji Okamoto	Deputy General Manager of Research and Development Headquarters, General Manager of Farm and Industrial Machinery Customer First Quality Planning and Promotion Headquarters, General Manager of Research and Development Promotion Unit
Managing Executive Officer of Kubota Corporation	Koichi Yamamoto	General Manager of Manufacturing Engineering Headquarters
Managing Executive Officer of Kubota Corporation	Hirohiko Arai	General Manager of Procurement Headquarters
Senior Executive Officer of Kubota Corporation	Koichiro Kan	General Manager of Quality Assurance Headquarters
Senior Executive Officer of Kubota Corporation	Tomohiro Iitsuka	General Manager of Farm Machinery Japan Operation Headquarters, President of Kubota Agri Service Corporation
Senior Executive Officer of Kubota Corporation	Kazushi Ito	Deputy General Manager of Planning and Control Headquarters
Senior Executive Officer of Kubota Corporation	Mampei Yamamoto	General Manager of Health and Safety Promotion Headquarters
Senior Executive Officer of Kubota Corporation	Nobushige Ichikawa	Deputy General Manager of Tractor Division, General Manager of Compact Tractor Division
Senior Executive Officer of Kubota Corporation	Shinichi Fukuhara	General Manager of Environmental Solutions Division, General Manager of Environmental Engineering Business Unit
Senior Executive Officer of Kubota Corporation	Hideki Mori	General Manager of Customer Solutions Division
Senior Executive Officer of Kubota Corporation	Junji Ota	President of SIAM KUBOTA Corporation Co., Ltd.
Senior Executive Officer of Kubota Corporation	Takanobu Azuma	Executive Vice President of Kubota North America Corporation

Position	Name	Responsibility
Executive Officer of Kubota Corporation	Hideo Takigawa	General Manager of Corporate Planning and Control Dept.
Executive Officer of Kubota Corporation	Takashi Ichikawa	General Manager of Pipe Systems Division
Executive Officer of Kubota Corporation	Wataru Kondo	General Manager of Water and Environment Infrastructure Management Dept., General Manager of Water and Environmental Infrastructure Compliance Dept.
Executive Officer of Kubota Corporation	Hiroyuki Tanihara	General Manager of Production Control Headquarters
Executive Officer of Kubota Corporation	Toshiyuki Taneda	General Manager of Engine Division
Executive Officer of Kubota Corporation	Shiro Watanabe	Deputy General Manager of Construction Machinery Division
Executive Officer of Kubota Corporation	Todd Stucke	Senior Vice President of Kubota North America Corporation, Senior Vice President of Kubota Tractor Corporation
Executive Officer of Kubota Corporation	Hiroyuki Araki	General Manager of Technology Innovation Research and Development Unit, General Manager of Technology Innovation R&D Dept. I
Executive Officer of Kubota Corporation	Yoshifumi Makino	General Manager of Water and Environmental Solutions Developing and Sales Dept.
Executive Officer of Kubota Corporation	Tadahito Suzui	General Manager of Agricultural Tractor Division
Executive Officer of Kubota Corporation	Koichi Nakagawa	President of KUBOTA Environmental Engineering Corporation
Executive Officer of Kubota Corporation	Kazunori Tani	General Manager of Harvester and Transplanter Division
Executive Officer of Kubota Corporation	Yuji Kambara	General Manager of Tsukuba Plant
Executive Officer of Kubota Corporation	Shinya Tsuruda	Deputy General Manager of Farm Machinery Japan Operation Headquarters, General Manager of Farm Machinery Japan Operation, Sales Promotion and Marketing Dept., General Manager of Farm Machinery Japan Planning and Control Dept.
Executive Officer of Kubota Corporation	Patrick Verheecke	Vice President of Kubota Holdings Europe B.V., President of Kubota Europe S.A.S.
Executive Officer of Kubota Corporation	Sumio Morioka	General Manager of Industrial Products Division, General Manager of Materials Business Unit
Executive Officer of Kubota Corporation	Shinichi Yamada	Vice President of Kubota Holdings Europe B.V.
Executive Officer of Kubota Corporation	Hitoshi Sasaki	General Manager of Farm and Industrial Machinery Strategy and Operations Dept.
Executive Officer of Kubota Corporation	Satoshi Suzuki	General Manager of Outdoor Power Equipment Division

2) Outside Directors and Outside Audit & Supervisory Board Members

Kubota Corporation has appointed five Outside Directors and three Outside Audit & Supervisory Board Members. In selecting candidates for the Outside Directors and the Outside Audit & Supervisory Board Members, Kubota Corporation considers experiences outside Kubota Corporation, professional insight, and other qualifications, and makes a recommendation for their suitability at the General Meeting of Shareholders after approval by the Board of Directors. Kubota Corporation has established policies regarding independence of the Outside Directors and Senior Management with reference to the rules for Independent Executives defined by the Tokyo Stock Exchange (TSE) and appoints those who are not likely to cause conflict of interest with ordinary shareholders.

Yuzuru Matsuda has extensive experience and broad knowledge in managing a biotechnology company and has experience as an outside director at other companies as well. Since his assumption of office as the Outside Director of Kubota Corporation in June 2014, he has been actively voicing his views from a managerial perspective at the Board of Directors, while also playing a proper role with respect to management oversight. In addition, as a chairman of Nomination Advisory Committee and Compensation Advisory Committee, he has contributed to improve effectiveness of these committees. He was appointed as the Outside Director based on the judgement that he has the ability to continue to contribute to the sustainable growth of the Company, the enhancement of corporate value, and the strengthening of supervisory functions of Kubota Corporation's Board of Directors. Kubota Corporation places him as an Independent Executive since there is no particular vested interest between Kubota Corporation and him, and there appears to be no conflict of interest with ordinary shareholders.

Koichi Ina has extensive experience and broad knowledge in managing an automotive manufacturer and has deep

insight in the field of manufacturing as well, since he has been engaged in management of factories as an engineer. Since his assumption of office as the Outside Director of Kubota Corporation in June 2015, he has been actively voicing his views mainly from a manufacturing perspective at the Board of Directors, while also playing a proper role with respect to management oversight. He was appointed as the Outside Director based on the judgement that he has the ability to continue to contribute to the sustainable growth of the Company, the enhancement of corporate value, and the strengthening of supervisory functions of Kubota Corporation's Board of Directors. Kubota Corporation has no business relationship with Sansha Electric Manufacturing Co., Ltd. of which Mr. Ina currently holds an important post. Kubota Corporation places him as an Independent Executive since there is no particular vested interest between Kubota Corporation and him, and there appears to be no conflict of interest with ordinary shareholders.

Yutaro Shintaku has experience and accomplishments in having actively promoted global strategy acting as management of a medical device manufacturer. He also offers a wide perspective as outside director at other companies. Since his assumption of office as the Outside Director of Kubota Corporation in March 2018, he has been actively voicing his views from a managerial perspective at the Board of Directors, while also playing a proper role with respect to management oversight. He was appointed as the Outside Director based on the judgement that he has the ability to continue to contribute to the sustainable growth of the Company, the enhancement of corporate value, and the strengthening of supervisory functions of Kubota Corporation's Board of Directors. Kubota Corporation has business relationships with Santen Pharmaceutical Co., Ltd. and KOZO KEIKAKU ENGINEERING Inc., of which Mr. Shintaku currently holds important posts, however the amount arising from these transactions for the year ended December 31, 2022, was less than 0.01% of the consolidated revenue of each company. Kubota Corporation places him as an Independent Executive since there is no particular vested interest between Kubota Corporation and him, and there appears to be no conflict of interest with ordinary shareholders.

Kumi Arakane has experience of being involved in corporate management as the Director of a cosmetics manufacturer, as well as having held positions of responsibility in a wide range of areas, including product development, research, quality control, and procurement. Since her assumption of office as the Outside Audit & Supervisory Board Member of Kubota Corporation in March 2019, she has been actively voicing her view from various perspective at the Board of Directors, while also playing a proper role with respect to management oversight. She was appointed as the Outside Director based on the judgement that she has the ability to continue to contribute to the sustainable growth of the Company, the enhancement of corporate value, and the strengthening of supervisory functions of Kubota Corporation's Board of Directors. Kubota Corporation has business relationships with Kagome Co., Ltd., and TODA CORPORATION, of which Ms. Arakane currently holds important posts, however the amount arising from these transactions for the year ended December 31, 2022, was less than 0.01% of the consolidated revenue of each company. Kubota Corporation places her as an Independent Executive since there is no particular vested interest between Kubota Corporation and her, and there appears to be no conflict of interest with ordinary shareholders.

Koichi Kawana has extensive knowledge and experience as management of a plant engineering manufacturer, and has broad-ranging proficiency in overseas business, which includes having headed overseas business sites. Based on his experience as outside director at other companies, he also possesses perspectives on management in general in a number of sectors. He was appointed as the Outside Director based on the judgement that he has the ability to contribute to the sustainable growth of the Company, the enhancement of corporate value, and the strengthening of supervisory functions of Kubota Corporation's Board of Directors based on his deep insight. Kubota Corporation has no business relationships with Tokyo Electron Device Limited, Bandai Namco Holdings Inc., COMSYS Holdings Corporation, and RENOVA, Inc., of which Mr. Kawana currently holds important posts. Kubota Corporation places him as an Independent Executive since there is no particular vested interest between Kubota Corporation and him, and there appears to be no conflict of interest with ordinary shareholders.

Yuichi Yamada has considerable knowledge of finance and accounting as a certified public accountant. He has gained extensive experience and accomplishments in corporate auditing during his tenure at a major audit firm, and possesses extensive expertise on auditing in general, including experience as an outside audit & supervisory board member at other companies. He was appointed as Outside Audit & Supervisory Board Member based on the judgement that he can contribute to further enhancing auditing processes of Kubota Corporation through his expert viewpoints and from an independent standpoint. Kubota Corporation has no business relationship with Japan Finance Corporation and Yuichi Yamada Certified Public Accountant Firm, of which Mr. Yamada currently holds important posts. Kubota Corporation places him as an Independent Executive since there is no particular vested interest between Kubota Corporation and him, and there seems to be no conflict of interest with ordinary shareholders.

Yuri Furusawa has a broad perspective and extensive knowledge from her experience in various domestic and international positions in the central governmental agencies. Furthermore, she gained global experience through being involved in overseas business development at a company, and she was involved in reforming work styles and promoting the empowerment of women and diversity at the center of the government. She was appointed as Outside Audit & Supervisory Board Member based on the judgement that she can contribute to further enhancing auditing processes of Kubota Corporation through her expert viewpoints and from an independent standpoint. Kubota Corporation has no business relationship with SUBARU CORPORATION, of which Ms. Furusawa currently holds an important post. Kubota Corporation places her as an Independent Executive since there is no particular vested interest between Kubota Corporation and her, and there seems to be no conflict of interest with ordinary shareholders.

Keijiro Kimura, as an attorney, possesses extensive knowledge of legal affairs. He also has an extensive record of practice in corporate legal affairs at attorney offices and considerable experience and knowledge acquired by assuming office as an outside auditor at several companies. He was appointed as Outside Audit & Supervisory Board Member based on the judgement that he can contribute to further enhancement of the Company's audit activities by providing an expert point of view from his wide experience as well as independent standpoint. Kubota Corporation has no business relationship with Kyoei Law Office, of which Mr. Kimura currently holds an important post. Kubota Corporation places him as an Independent Executive since there is no particular vested interest between Kubota Corporation and him, and there seems to be no conflict of interest with ordinary shareholders.

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

The Outside Directors also collaborate with the independent auditor and internal audit departments described in *(3) Status of Audit, 2) Status of internal audit*.

(3) Status of Audit

1) Status of Audit by Audit & Supervisory Board Members

As of the submission date of the Annual Securities Report, Kubota Corporation has six Audit & Supervisory Board Members (three are Outside Audit & Supervisory Board Members). Mr. Yuichi Yamada, an Outside Audit & Supervisory Board Member, is a certified public accountant and has adequate knowledge of finance and accounting, including IFRS.

Kubota Corporation has established the Office of Audit & Supervisory Board Members and has assigned six employees to exclusively support the Audit & Supervisory Board Members in performing their duties. Independence of these employees is ensured as the employees' appointment and evaluation require a discussion with and consent from the Audit & Supervisory Board Members. Kubota Corporation appoints four members in the Office of Audit & Supervisory Board Members to engage in audits exclusively for subsidiaries in order to provide support for Kubota Corporation's Audit & Supervisory Board Members and improve internal control over the Kubota Group. In addition, Kubota Corporation has a system in place to ensure that the Audit & Supervisory Board Members are informed without delay of matters that may have a significant impact on the management, and also a system to ensure the smooth payment of expenses incurred in the execution of duties by the Audit & Supervisory Board Members.

The Audit & Supervisory Board is held once a month on a regular basis, and on an ad hoc basis. The Company held the meeting 17 times for the year ended December 31, 2022, and the attendance of each member is as follows:

Position	Name	Attendance number	Attendance rate
Audit & Supervisory Board Member of Kubota Corporation (Full time)	Toshikazu Fukuyama	17	100%
Audit & Supervisory Board Member of Kubota Corporation (Full time)	Yasuhiko Hiyama	17	100%
Audit & Supervisory Board Member of Kubota Corporation (Full time)	Masashi Tsunematsu	14	100% (Note)
Audit & Supervisory Board Member of Kubota Corporation (Part time)	Yuichi Yamada	17	100%
Audit & Supervisory Board Member of Kubota Corporation (Part time)	Yuri Furusawa	17	100%
Audit & Supervisory Board Member of Kubota Corporation (Part time)	Keijiro Kimura	14	100% (Note)

(Note)

The attendance rate is calculated based on meetings held after appointment as Audit & Supervisory Member on March 18, 2022.

The main matters considered by the Audit & Supervisory Board include, but not limited to, the auditing policies and division of duties, status of the design and operation of internal control systems, evaluation, appointment and reappointment of the independent auditor, and the audit report.

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

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

As for subsidiaries and equity method affiliates, the Audit & Supervisory Board Members concurrently serve as Audit & Supervisory Board Members of major subsidiaries and equity method affiliates in Japan and audit the execution of management duties according to the auditing policies and plans established by the Audit & Supervisory Board. In addition, some subsidiaries in Japan have assigned full-time Audit & Supervisory Board Members to strengthen the monitoring system.

The Audit & Supervisory Board monitors and verifies that the independent auditor maintains its independence and conducts appropriate audits. In addition, the Audit & Supervisory Board receives reports from the independent auditor on the status of the performance of its duties and requests explanations as necessary.

Due to COVID-19, on-site audits at overseas locations were difficult to conduct in the previous fiscal year. However, during the current fiscal year, the Audit & Supervisory Board has conducted audits through a combination of on-site audits mainly at important bases in North America, Europe and Thailand, and online meetings. The Audit & Supervisory Board plan to increase the number of on-site audits; however, digital technology will also be utilized to carry out appropriate audits.

2) Status of internal audit

Internal audit on the Company's internal control over financial reporting is conducted by the Corporate Auditing Department, which is independent from all other departments of the Company and made up of 17 employees who have the necessary expertise. Internal audits on other risks are conducted by the relevant Department in Charge, and secondary internal audits are conducted by the independent Corporate Auditing Department in order to ensure the adequacy of preceding internal audits. Internal audits are conducted on site or remotely through documentation reviews, based on audit plans approved by the President.

Internal audit departments and the independent auditor report their audit plan and audit results to the Audit & Supervisory Board Members periodically and as needed. In addition, if required, information is exchanged between internal audit departments and the independent auditor to ensure efficient audit activities.

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

Due to COVID-19, on-site audits at overseas locations were difficult to conduct in the previous fiscal year. However, during the current fiscal year, internal audits have been conducted through a combination of on-site audits mainly at important bases in North America, Asia and other region, and online meetings. The number of on-site audits are planned to increase; however, digital technology will also be utilized to carry out appropriate internal audits.

(Note)

As of the submission date of the Annual Securities Report, the Company-wide Risk Management Committee has been integrated into the Kubota Group Risk Management Committee established in January 2023. In addition to continuing efforts to strengthening the

internal control system, the new Committee periodically conducts risk assessments based on changes in the risk environment surrounding companies and promotes countermeasures against risks that may have particularly significant impact on the management and against risks that the Company has determined should be addressed as a priority. The Directors and Senior Management in charge of risk management reports regularly to the Board of Directors on the assessment and policy and status of responses to these risks.

3) Status of Accounting Audit

a) Name of Independent Auditor

Deloitte Touche Tohmatsu LLC ("DTT")

b) The Number of Consecutive Years Involved in the Audit

Since 1968

c) Certified Public Accountants (CPAs) Executing Audits

Mr. Hiroaki Sakai, Mr. Takeshi Ito, and Mr. Akira Kimotsuki

d) Composition of Assistants Involved in Audit Work

38 CPAs, 12 junior accountants, and 58 other staff members

e) Policies for Evaluation, Appointment and Reappointment of the Independent Auditor by the Audit & Supervisory Board
The Audit & Supervisory Board confirms and evaluates independency, audit quality, and appropriateness of accounting fees, and determines the validity of appointment or reappointment of the independent auditor. Based on the thorough evaluation, Kubota Corporation has reappointed DTT as its independent auditor for the year ended December 31, 2022.

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

In the case that the independent auditor lacks the qualifications to serve as an accounting auditor, such as falling under any of the disqualification grounds pursuant to the Article 337, paragraph 3 of the Act, or in the case that the Audit & Supervisory Board determines that it is appropriate not to reappoint the independent auditor taking into consideration the status of duties executed and other circumstances, the Audit & Supervisory Board may propose to dismiss or not to reappoint the independent auditor by the resolution of the Audit & Supervisory Board.

4) Details of Auditing Fees and Other Matters

a) Details of Fees Paid to the Independent Auditor

Company	Year ended December 31, 2022		Year ended December 31, 2021	
	Fees for auditing services (millions of yen)	Fees for non-auditing services (millions of yen)	Fees for auditing services (millions of yen)	Fees for non-auditing services (millions of yen)
Kubota Corporation	¥ 324	¥ 21	¥ 290	¥ 2
Subsidiaries	25	2	37	9
Total	¥ 349	¥ 23	¥ 327	¥ 11

Non-audit services in fiscal years 2022 and 2021 include financial consultation services.

b) Details of Fees Paid to Independent Firms Affiliated with the Same Network (Deloitte Touche Tohmatsu LLC) (not including the above table)

Company	Year ended December 31, 2022		Year ended December 31, 2021	
	Fees for auditing services (millions of yen)	Fees for non-auditing services (millions of yen)	Fees for auditing services (millions of yen)	Fees for non-auditing services (millions of yen)
Kubota Corporation	¥ —	¥ 208	¥ —	¥ 487
Subsidiaries	932	321	649	287
Total	¥ 932	¥ 529	¥ 649	¥ 774

Non-audit services in fiscal years 2022 and 2021 include tax-related services and various advisory services

c) Details of Other Significant Fees for Auditing Services

Not applicable.

d) Policy for Determining Audit Fees

Audit fees are determined based on a number of days required for audit and other factors. In making a decision, independency of certified public accounting firm is carefully considered and obtained consent of the Audit & Supervisory Board.

e) The Reasons to Agree on the Compensation to the Independent Auditor

The Audit & Supervisory Board, after receiving the necessary documents and reports from the Directors, relevant divisions of Kubota Corporation, and the independent auditor, considered audit plans of the independent auditor, considered appropriateness of the status of the duties executed on audit, and confirmed a calculation base of a compensation. Consequently, the Audit & Supervisory Board concluded that the amount is appropriate and agreed on the compensation to the independent auditor.

(4) Remuneration of Directors and Executive Officers

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

(Basic policy for determination of remuneration for the Directors)

Kubota Corporation is committed to shift to business operations with ESG positioned at the core of management to realize the long-term vision “GMB2030.” Under these circumstances, Kubota Corporation has established the following basic principles regarding remuneration for the Directors with aim of further strengthening the supervisory function of the Board of Directors (corporate governance).

- a) The purpose of the remuneration for the Directors, excluding Outside Directors, is to encourage the Directors, excluding Outside Directors, to take the lead for sustainable growth while fulfilling social responsibilities as a company aiming to become a GMB.
 - Motivate the Directors to achieve performance targets by reflecting in their remuneration quantitative and objective evaluation based on financial performance indicators.
 - Accelerate K-ESG management initiatives by reflecting evaluation results of the progress of the K-ESG in remuneration of the Directors.
 - Encourage the Directors to continuously hold shares of Kubota Corporation during their tenure and make them aware of the need to sustainably improve corporate value through a remuneration system that is closely linked to shareholder value.
 - Set the remuneration level and performance linkage so that the Directors receive remuneration that is equivalent to or higher than the standard remuneration at other GMB companies defined by Kubota Corporation, in line with the achievement of the performance and K-ESG targets, 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 made by resolution of the Board of Directors after deliberation by the Compensation Advisory Committee, where the majority of members are Outside Directors.
 - Disclosures shall be made to promote shareholders’ understanding and dialogue with shareholders, not limiting to the scope required by laws and regulations, in order to fulfill accountability to shareholder precisely.

(Remuneration structure)

a) Directors, excluding Outside Directors

The remuneration for the Directors, excluding Outside Directors, consists of basic remuneration, which is fixed remuneration, 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 level of responsibilities, etc. of each corporate rank. The performance-linked remuneration consists of annual bonuses intended to encourage the Directors to achieve the business size and profitability targets of each fiscal year, and stock compensation (restricted stock unit and performance share unit) intended to share shareholder value and promote the maximization of medium- to long-term corporate value. The ratio of annual bonuses to stock compensation is generally set at 1:1.

Following is an overview of the elements of remuneration:

Type of remuneration	Overview
Basic remuneration	[Fixed remuneration set according to the level of responsibilities of each corporate rank, etc.] - The individual amount of basic remuneration shall be decided at the Board of Directors after confirmation and deliberation by the Compensation Advisory Committee. The total amount of basic remuneration divided by 12 is paid monthly on the same pay day as employees' salary.
Annual bonus	[Cash remuneration intended to encourage the achievement of business size and profitability targets set for each fiscal year and accelerate K-ESG management efforts] - Consists of a portion linked to company-wide performance (50-70% of the annual bonus depending on a corporate rank), a portion of individual evaluation (10-30%), and a portion of K-ESG evaluation (20%). - The portion linked to company-wide performance changes between 0% and 200% of the base amount depending on the degree of achievement of consolidated revenue and consolidated operating profit margin, which are key indicators under the Mid-term Business Plan 2025. - The portion of individual evaluation changes between 0% and 200% of the base amount depending on the degree of achievement of targets, such as company-wide strategic target set at the beginning of the fiscal year, specific targets under the Mid-term Business Plan 2025, and financial targets for the area(s) target person is in charge of. - The portion of K-ESG evaluation changes between 0% and 200% of the base amount depending on the degree of achievement in K-ESG promotion targets set at the beginning of the fiscal year. - The target and the evaluation result of each evaluation category shall be decided at the Board of Directors after confirmation and deliberation by the Compensation Advisory Committee. Annual bonus is paid annually in March, in principle.
Restricted stock unit	[Stock compensation intended to encourage continued shareholding during the tenure and share and improve shareholder value] - The trust that sets Kubota Corporation as the entruster delivers a certain number of restricted stocks as determined by corporate rank, generally after the closing of each fiscal year. In principle, transfer restriction of shares delivered shall be lifted at the time of retirement (which means the point of time when they are no longer Directors or Executive Officers of Kubota Corporation; the same applies hereinafter).

Performance share unit	[Stock compensation intended to encourage improvement of the shareholder value by achieving the medium- to long-term performance target] - The trust that sets Kubota Corporation as the entruster delivers restricted stocks after the end of each performance evaluation period, depending on the financial evaluation results of the three-year performance evaluation period. In principle, the transfer restriction of shares delivered shall be lifted at the time of retirement. - Return on invested capital (ROIC) based on a profit of the year attributable to owners of the parent is used as a financial evaluation indicator to encourage maximization of corporate value over the medium to long term through efficient profit generation on invested capital. The number of shares to be delivered in proportion to the degree of achievement changes between 0% and 200%.
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(Note)

The policies regarding evaluation indicators and targets for annual bonuses and performance share units are continuously reviewed through deliberations by the Compensation Advisory Committee in response to changes in the management environment etc. Incorporating K-ESG evaluations as an index for the performance share unit is also under consideration.

b) Outside Directors

The only remuneration for the Outside Directors is basic remuneration, which is a fixed remuneration, as the role of the Outside Directors is to supervise the Board of Directors and provide objective advice on management from positions independent from the conduct of business.

(Remuneration level)

In order to properly secure competitiveness in terms of remuneration suitable for a GMB company, Kubota Corporation sets remuneration level for the Directors, excluding Outside Directors, according to their corporate ranks and duties, using an objective data on executive remuneration surveys conducted by the external professional institution ("Executive Compensation Database" by Willis Towers Watson (WTW)), etc. to identify a group of companies whose size, profitability, type of business, overseas networks, etc. are comparable to Kubota Corporation for comparison.

(Shareholding guideline)

For the purpose of deepening the level of value sharing with shareholders, Kubota Corporation encourages the Directors, excluding Outside Directors, to hold shares of Kubota Corporation as follows:

President and Representative Director: shares worth three times the basic remuneration by five years from taking office
Other Directors: shares worth 2.4 to 2.7 times the basic remuneration by five years from taking office

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

Kubota Corporation has compensation clawback clauses (i.e. malus and clawback clauses) for the restricted stock unit and the performance share unit granted to the Directors. If an incident of misconduct, etc. involving the Directors (including those retired) of Kubota Corporation arises or such a fact comes to light, Kubota Corporation may claim the return of all or part of pre-issued points to receive shares, delivered restricted shares and shares after the transfer restriction is lifted. The decision on claims for return and their details shall be deliberated by the Compensation Advisory Committee before being determined by the Board of Directors' resolution.

(Remuneration determination process)

Kubota Corporation's policy on the decision of the details of remunerations for the Directors and the details of individual remuneration, etc. shall be decided by the resolution of the Board of Directors based on the result of objective deliberation by the Compensation Advisory Committee, of which a majority of members are Outside Directors. The deliberation by the Compensation Advisory Committee may be, if necessary, attended or observed by a remuneration advisor from WTW, an external specialized institution, for the purpose of providing an objective point of view as well as expert knowledge and information concerning remuneration plans.

Activities of the Compensation Advisory Committee during the year ended December 31, 2022, are described in (1) *Corporate Governance* 2) *Corporate Governance Structure*.

(Determination of individual remuneration)

Remuneration paid to each Director during the year ended December 31, 2022, was determined by a resolution of the Board of Directors within the total amount of remuneration resolved at the General Meeting of Shareholders and based on the deliberations of the Compensation Advisory Committee, hence the Board of Directors of the Company has determined that the individual remuneration of the Directors is in line with the policy.

(Maximum remuneration amount of the Directors)

In accordance with the resolution of the 132nd General Meeting of Shareholders held on March 18, 2022, the maximum amount of monetary remuneration payable to the Directors is ¥900 million or less for the basic remuneration (¥160 million or less for the Outside Directors) and ¥1,060 million or less for the annual bonus. The number of the Directors subject to the remuneration as of the close of the same General Meeting of Shareholders was ten, including four Outside Directors, for basic remuneration and six (no Outside Directors included) for the annual bonuses.

The maximum amount of stock compensation for the Directors, excluding the Outside Directors, resolved at the same General Meeting of Shareholders is ¥160 million (140 thousand shares or less) for the restricted stock unit, which is the fixed portion of the stock compensation, and ¥740 million (630 thousand shares or less) for the performance share unit, which is linked to business performance. The number of the Directors subject to stock compensation as of the close of the same General Meeting of Shareholders was six (no Outside Directors included).

(Remuneration of Audit & Supervisory Board Members)

The remuneration for the Audit & Supervisory Board Members is determined after consultation among the Audit & Supervisory Board Members within the range of the maximum amount of remuneration approved at the General Meeting of Shareholders in consideration of the roles of the respective Audit & Supervisory Board Members. The remuneration for the Audit & Supervisory Board Members consists solely of the basic remuneration considering the roles they play and the need to preserve their independence.

The maximum amount of remuneration for the Audit & Supervisory Board Members resolved at the 132nd General Meeting of Shareholders held on March 18, 2022, is ¥250 million or less per year. The number of the Audit & Supervisory Board Members subject to remuneration as of the close of the same General Meeting of Shareholders was six, including three Outside Audit & Supervisory Board Members.

2) Compensation by Position

The total amount of compensation paid by Kubota Corporation for the year ended December 31, 2022, to the Directors and the Audit & Supervisory Board Members was as follows:

Position	Number of persons	Total amount of compensation (millions of yen)	Total amount by type (millions of yen)			
			Basic Remuneration	Bonus	Restricted stock unit	Performance share unit
Directors (excluding Outside Directors)	6	¥ 777	¥ 362	¥ 238	¥ 120	¥ 55
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	3	120	120	—	—	—
Outside Directors	4	77	77	—	—	—
Outside Audit & Supervisory Board Members	4	49	49	—	—	—

(Notes)

1. The amount of the restricted stock unit and the performance share unit stated in the table above are the amounts recognized as expenses during the year ended December 31, 2022, and they are non-monetary compensation.
2. The above amount includes a compensation for the Outside Audit & Supervisory Board Member who has resigned at the conclusion of the 132nd General Meeting of Shareholders held on March 18, 2022.

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

The total amount of compensation paid by the Company for the year ended December 31, 2022, to the Directors and the Audit & Supervisory Board Members was as follows:

Name	Total amount of consolidated compensation (millions of yen)	Position	Company	Total amount by type (millions of yen)			
				Basic Remuneration	Bonus	Restricted stock unit	Performance share unit
Masatoshi Kimata	¥ 228	Director	Kubota Corporation	¥ 96	¥ 77	¥ 37	¥ 18
Yuichi Kitao	228	Director	Kubota Corporation	96	77	37	18
Masato Yoshikawa	121	Director	Kubota Corporation	54	40	19	8

(Note)

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

4) Targets and Results of Performance-linked Remuneration Evaluation Indicators for the Current Fiscal Year

Type of remuneration (Note 1)	Indicators	Range of payment coefficient	Target (Note 2)	Result	Quota achieved	Payment coefficient
Annual Bonus	Consolidated Revenue	(Note 3)	¥2,450 billion	¥2,577 billion	105%	133%
	Consolidated operating profit margin	(Note 3) 0% to 200%	10.82%	8.13%	75%	0%
	K-ESG evaluation	(Note 4)	—	—	—	100%
	Individual evaluation	(Note 5)	—	—	—	75% to 125%

(Notes)

- The determination of the payment coefficient for the performance share unit, which is the stock compensation, will be made after the end of the performance evaluation period.
- Payment coefficient will be 100% when the target indicated is fully achieved.
- Target and result of consolidated revenue and consolidated operating profit margin do not include those of Escorts Ltd. (currently, Escorts Kubota Ltd.) which was consolidated in April 2022.
- With regards to K-ESG evaluation for the current fiscal year, the assessment period was divided into the first and second half of the year, and targets were set and results were assessed for each period. For the first half of the year, the Compensation Advisory Committee assessed the progress made towards disclosure of the K-ESG strategy, its contents and other factors. For the second half of the year, the Compensation Advisory Committee assessed the status of introduction of specific initiatives in line with the K-ESG policy and the results as at December 31, 2022, in the initiatives already introduced. After deliberations, the payment coefficient was set at 100% in view of the steady progress and results against the predetermined targets for both the first and second half of the year.
- The Compensation Advisory Committee assessed the degree of achievement of company-wide strategic targets set at the beginning of the fiscal year, specific targets for initiatives in the medium-term business plan, and financial targets for the areas under their responsibility.

(5) Information on Shareholdings

1) Criteria for Classification of Investment Securities

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

2) Investment Securities Held for Purposes Other than Pure Investment

a) Policy for Holding Shares, Examination Methods to Verify the Rationality of Holding Shares, and Details of Verification at the Board of Directors Concerning Appropriateness of Holding Each Shares

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

Each individual share of cross-shareholdings is examined annually at the Board of Directors in order to verify appropriateness of holding these shares, taking into consideration the purpose of holding, benefits and risks associated, and other factors. If it is determined that maintaining certain shares are no longer appropriate, shareholdings are gradually decreased, in light of the market environment and other factors. In the fiscal year ended December 31, 2022, Kubota Corporation sold ¥1,793 million of cross-shareholdings.

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

	Number of issues (issuers)	Total amount recorded in balance sheets (millions of yen)
Unlisted shares	39	¥ 9,175
Other than unlisted shares	38	63,355

Increase in the number of shares held for the year ended December 31, 2022

	Number of issues (issuers)	Total amount acquired due to increase in number of shares held (millions of yen)	Reasons of increase
Unlisted shares	7	¥ 2,182	Investment to promote open innovation in collaboration with external partners
Other than unlisted shares	—	—	—

Decrease in the number of shares held for the year ended December 31, 2022

	Number of issues (issuers)	Total amount sold due to decrease in number of shares held (millions of yen)
Unlisted shares	2	¥ 840
Other than unlisted shares	3	953

(note)

Decrease due to reclassification to investments in affiliates is not included.

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

Specified Investment Securities

Issue	As of December 31,2022	As of December 31,2021	Purpose of holding, quantitative effect of holding, reason for increase in the number of shares held	Ownership of Kubota Corporation share: Y/N
	Number of shares (thousands of shares)	Number of shares (thousands of shares)		
	Balance sheet amount (millions of yen)	Balance sheet amount (millions of yen)		
Sumitomo Mitsui Trust Holdings, Inc.	2,261	2,261	Held for the purpose of maintaining stable funding	N (*)
	10,377	8,692		
Sumitomo Mitsui Financial Group, Inc.	1,745	1,745	Held for the purpose of maintaining stable funding	N (*)
	9,245	6,883		
Shin-Etsu Chemical Co., Ltd.	464	464	Held for the purpose of maintaining stable procurement in the Water & Environment business	Y
	7,538	9,254		
Daikin Industries, Ltd.	350	350	Held for the purpose of maintaining stable procurement in the Farm & Industrial Machinery business	Y
	7,082	9,147		
Osaka Gas Co., Ltd.	3,125	3,125	Held for the purpose of maintaining and enhancing business relationships in the Water & Environment business	Y
	6,657	5,942		
Mitsubishi UFJ Financial Group, Inc.	6,062	6,062	Held for the purpose of maintaining stable funding	N (*)
	5,389	3,788		
Toho Gas Co., Ltd.	1,439	1,439	Held for the purpose of maintaining and enhancing business relationships in the Water & Environment business	Y
	3,622	4,216		
Mitsubishi Estate Co., Ltd.	1,052	1,052	Held for the purpose of maintaining and enhancing business relationships in the Water & Environment business	Y
	1,799	1,677		
Yamazen Corporation	1,055	1,055	Held for the purpose of maintaining stable procurement in the Farm & Industrial Machinery business	Y
	1,058	1,135		
Nankai Electric Railway Co., Ltd.	366	366	Held for the purpose of maintaining and enhancing relationships in the local economy	Y
	1,044	796		
SAIBU GAS HOLDINGS CO., LTD.	586	586	Held for the purpose of maintaining and enhancing business relationships in the Water & Environment business	N
	1,002	1,246		
FUJITEC CO., LTD.	322	322	Held for the purpose of maintaining and enhancing relationships in the local economy	Y
	965	811		
Mizuho Financial Group, Inc.	428	428	Held for the purpose of maintaining stable funding	N (*)
	795	627		
Denyo Co., Ltd.	500	500	Held for the purpose of maintaining and enhancing business relationships in the Farm & Industrial Machinery business	Y
	779	925		
Sekisui House, Ltd.	324	324	Held for the purpose of maintaining and enhancing business relationships in the Water & Environment business	Y
	756	799		
Takasago Thermal Engineering Co., Ltd.	411	411	Held for the purpose of maintaining and enhancing business relationships in the Water & Environment business	Y
	732	779		

Issue	As of December 31,2022	As of December 31,2021	Purpose of holding, quantitative effect of holding, reason for increase in the number of shares held	Ownership of Kubota Corporation share: Y/N
	Number of shares (thousands of shares)	Number of shares (thousands of shares)		
	Balance sheet amount (millions of yen)	Balance sheet amount (millions of yen)		
Keihanshin Building Co., Ltd.	447 571	447 698	Held for the purpose of maintaining and enhancing relationships in the local economy	Y
Keneka Corporation	138 455	138 523	Held for the purpose of maintaining stable procurement in the Water & Environment business	Y
Kansai Paint Co., Ltd.	246 398	246 615	Held for the purpose of maintaining stable procurement in the Farm & Industrial Machinery business	Y
Wakita & Co., LTD	300 358	300 322	Held for the purpose of maintaining and enhancing business relationships in the Farm & Industrial Machinery business	N
JTEKT CORPORATION	357 331	357 358	Held for the purpose of maintaining stable procurement in the Farm & Industrial Machinery business	Y
SHINTOKOGIO, LTD.	485 317	485 344	Held for the purpose of maintaining stable procurement in the Farm & Industrial Machinery business	Y
NOK CORPORATION	246 289	246 308	Held for the purpose of maintaining stable procurement in the Farm & Industrial Machinery business	Y
Yamato Kogyo Co., Ltd.	60 270	60 223	Held for the purpose of maintaining and enhancing business relationships in the Water & Environment business	N
Obayashi Corporation	270 269	270 240	Held for the purpose of maintaining and enhancing business relationships in the Water & Environment business	Y
Takakita Co., Ltd.	660 265	660 436	Held for the purpose of maintaining stable procurement in the Farm & Industrial Machinery business	Y
YOROZU CORPORATION	250 173	250 268	Held for the purpose of maintaining stable procurement in the Farm & Industrial Machinery business	Y
Maruyama Mfg. Co., Inc.	95 144	95 150	Held for the purpose of maintaining stable procurement in the Farm & Industrial Machinery business	Y
DAIICHI JITSUGYO CO., LTD.	24 105	24 118	Held for the purpose of maintaining stable procurement in the Water & Environment business	Y
YUASA TRADING CO., LTD.	27 99	27 81	Held for the purpose of maintaining and enhancing business relationships in the Farm & Industrial Machinery business	N
SHIMIZU CORPORATION	138 97	138 98	Held for the purpose of maintaining and enhancing business relationships in the Water & Environment business	Y
NIKKATO CORPORATION	200 94	200 141	Held for the purpose of maintaining stable procurement in the Water & Environment business	Y
HOKUETSU INDUSTRIES CO., LTD.	50 66	50 50	Held for the purpose of maintaining and enhancing business relationships in the Farm & Industrial Machinery business	N

Issue	As of December 31,2022	As of December 31,2021	Purpose of holding, quantitative effect of holding, reason for increase in the number of shares held	Ownership of Kubota Corporation share: Y/N
	Number of shares (thousands of shares)	Number of shares (thousands of shares)		
	Balance sheet amount (millions of yen)	Balance sheet amount (millions of yen)		
TODA CORPORATION	84	84	Held for the purpose of maintaining and enhancing business relationships in the Water & Environment business	Y
	59	61		
Daido Metal Co., Ltd.	120	120	Held for the purpose of maintaining stable procurement in the Farm & Industrial Machinery business	Y
	57	72		
OKAYA & CO., LTD.	4	4	Held for the purpose of maintaining and enhancing business relationships in the Water & Environment business	Y
	39	38		
ASIA PILE HOLDING CORPORATION	55	55	Held for the purpose of maintaining and enhancing business relationships in the Water & Environment business	N
	29	24		
Kitagawa Corporation	11	11	Held for the purpose of maintaining stable procurement in the Farm & Industrial Machinery business	Y
	16	16		
Escorts Ltd.	—	12,257	Became a subsidiary to strengthen the Farm & Industrial Machinery business and as a result, reclassified from investment securities to investments in affiliates (investments in subsidiaries)	N
	—	36,264		
NTN Corporation	—	1,616	All shares sold as a result of examination	N
	—	387		
TAKARA STANDARD CO., LTD.	—	266	All shares sold as a result of examination	N
	—	375		
Mitsui Chemicals, Inc.	—	95	All shares sold as a result of examination	N
	—	294		

(Notes)

- Although quantitative holding effects are difficult to describe, the appropriateness of holding share is verified for each individual issue in the manner described in the section, *a) Policy for Holding Shares, Examination Methods to Verify the Rationality of Holding Shares, and Details of Verification at the Board of Directors Concerning Appropriateness of Holding Each Shares.*
- “N (*)” in *Ownership of Kubota Corporation share* indicates that the issuer does not hold shares of Kubota Corporation but its subsidiary does.

Deemed Shareholdings

Issue	As of December 31,2022	As of December 31,2021	Purpose of holding, quantitative effect of holding, reason for increase in the number of shares held	Ownership of Kubota Corporation share: Y/N
	Number of shares (thousands of shares)	Number of shares (thousands of shares)		
	Balance sheet amount (millions of yen)	Balance sheet amount (millions of yen)		
Shin-Etsu Chemical Co., Ltd.	620 10,059	620 12,350	Restriction on exercising its voting rights	Y
Sumitomo Mitsui Financial Group, Inc.	641 3,399	641 2,531	Restriction on exercising its voting rights	N (*)
Mizuho Financial Group, Inc.	1,720 3,192	1,720 2,516	Restriction on exercising its voting rights	N (*)
Mitsubishi UFJ Financial Group, Inc.	3,344 2,973	3,344 2,089	Restriction on exercising its voting rights	N (*)
Kaneka Corporation	207 683	207 784	Restriction on exercising its voting rights	Y
SCSK Corporation	102 205	102 235	Restriction on exercising its voting rights	N

(Notes)

- Although quantitative holding effects are difficult to describe, the appropriateness of holding share is verified for each individual issue in the manner described in the section, *a) Policy for Holding Shares, Examination Methods to Verify the Rationality of Holding Shares, and Details of Verification at the Board of Directors Concerning Appropriateness of Holding Each Shares*.
- Deemed shareholdings are held through a retirement benefit trust. The amounts stated in the *Balance sheet amount* column are calculated by multiplying market price as of the balance sheet date by the number of shares of related securities. The details of rights that Kubota Corporation holds to related securities are stated in the *Purpose of holding* column.
- "N (*)" in *Ownership of Kubota Corporation share* indicates that the issuer does not hold shares of Kubota Corporation but its subsidiary does.

3) Equity Securities Held for Pure Investment

Not applicable.

5. Stock-Related Administration of Kubota Corporation

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

(Note)

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

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

6. Reference Information on Kubota Corporation

1. Information on Parent Company of Kubota Corporation

Kubota Corporation has no parent company.

2. Other Reference Information

Kubota Corporation filed the following documents during the period from the commencing date of the year ended December 31, 2022, to the filing date of the Annual Securities Report.

(1)	Annual Securities Report and the attachments thereto, and Confirmation Letter	Fiscal Year (the 132 nd business term)	From January 1, 2021 To December 31, 2021	Filed with the Director of the Kanto Local Finance Bureau on March 18, 2022
(2)	Internal Control Report and the attachments thereto	Fiscal Year (the 132 nd business term)	From January 1, 2021 To December 31, 2021	Filed with the Director of the Kanto Local Finance Bureau on March 18, 2022
(3)	Shelf Registration Statement (share certificates, corporate bond certificates, and other) and the attachments thereto			Filed with the Director of the Kanto Local Finance Bureau on May 27, 2022
(4)	Amendment Report for Annual Securities Report	Fiscal Year (the 132 nd business term)	From January 1, 2021 To December 31, 2021	Filed with the Director of the Kanto Local Finance Bureau on May 13, 2022
(5)	Quarterly Reports and Confirmation Letters	(First Quarter of the 133 rd business term)	From January 1, 2022 To March 31, 2022	Filed with the Director of the Kanto Local Finance Bureau on May 13, 2022
		(Second Quarter of the 133 rd business term)	From April 1, 2022 To June 30, 2022	Filed with the Director of the Kanto Local Finance Bureau on August 9, 2022
		(Third Quarter of the 133 rd business term)	From July 1, 2022 To September 30, 2022	Filed with the Director of the Kanto Local Finance Bureau on November 11, 2022
(6)	Extra Ordinary Report	Pursuant to Article 19, Paragraph 2, Item 9-2 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs (Results of Execution of Voting Rights at the General Meeting of Shareholders)		Filed with the Director of the Kanto Local Finance Bureau on March 22, 2022
		Pursuant to Article 19, Paragraph 2, Item 9 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs (Change to the Representative Director)		Filed with the Director of the Kanto Local Finance Bureau on November 9, 2022
(7)	Amended Shelf Registration Statement (corporate bond certificates)			Filed with the Director of the Kanto Local Finance Bureau on the following dates: April 28, 2022 May 13, 2022 November 14, 2022
(8)	Status Report of Acquisition of Treasury Stock			Filed with the Director of the Kanto Local Finance Bureau on the following dates: May 12, 2022 June 3, 2022 July 1, 2022 August 3, 2022 September 5, 2022 October 5, 2022 November 4, 2022 December 6, 2022

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Consolidated Financial Statements

Kubota Corporation and Its Subsidiaries

(1) Consolidated Statement of Financial Position

(Unit: millions of yen)

December 31:	Note	2022	2021
ASSETS			
Current assets:			
Cash and cash equivalents	6	¥ 225,799	¥ 258,639
Trade receivables	7	779,385	574,349
Finance receivables	8, 14	480,658	381,235
Other financial assets	9	71,516	50,875
Contract assets		28,018	24,707
Inventories	10	644,471	510,065
Income taxes receivable		2,710	8,430
Other current assets		72,768	59,115
Total current assets		2,305,325	1,867,415
Noncurrent assets:			
Investments accounted for using the equity method	11	46,492	43,768
Finance receivables	8, 14	1,203,856	1,029,264
Other financial assets	9	165,438	154,781
Property, plant, and equipment	12, 14	635,700	496,312
Goodwill	13	162,439	10,355
Intangible assets	13	116,335	85,529
Deferred tax assets	25	74,443	50,423
Other noncurrent assets	19	21,245	35,809
Total noncurrent assets		2,425,948	1,906,241
Total assets		¥ 4,731,273	¥ 3,773,656

(Unit: millions of yen)

December 31:	Note	2022	2021
LIABILITIES AND EQUITY			
Current liabilities:			
Bonds and borrowings	15	¥ 640,889	¥ 504,335
Trade payables	16	454,780	392,331
Other financial liabilities	14, 17	106,096	96,740
Income taxes payable		24,646	33,546
Provisions	18	65,823	52,208
Contract liabilities		33,509	23,402
Other current liabilities	20	268,787	211,177
Total current liabilities		1,594,530	1,313,739
Noncurrent liabilities:			
Bonds and borrowings	15	970,216	590,174
Other financial liabilities	14, 17	41,135	33,375
Retirement benefit liabilities	19	14,293	14,899
Deferred tax liabilities	25	27,096	31,037
Other noncurrent liabilities	18, 20	6,673	5,323
Total noncurrent liabilities		1,059,413	674,808
Total liabilities		2,653,943	1,988,547
Equity:			
Equity attributable to owners of the parent:	21		
Share capital		84,130	84,130
Share premium		79,247	84,886
Retained earnings		1,535,115	1,439,631
Other components of equity		188,386	69,522
Treasury shares		(3,557)	(134)
Total equity attributable to owners of the parent		1,883,321	1,678,035
Noncontrolling interests		194,009	107,074
Total equity		2,077,330	1,785,109
Total liabilities and equity		¥ 4,731,273	¥ 3,773,656

See notes to consolidated financial statements.

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

Consolidated Statement of Profit or Loss

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

Years ended December 31:	Note	2022	%	2021	%
Revenue	22	¥ 2,678,772	100.0	¥ 2,196,766	100.0
Cost of sales	10, 12, 13, 19	(1,982,248)		(1,564,960)	
Selling, general, and administrative expenses	12, 13, 19	(485,644)		(392,091)	
Other income	23	15,488		10,638	
Other expenses	23	(7,426)		(5,788)	
Operating profit		218,942	8.2	244,565	11.1
Finance income	24	16,982		9,341	
Finance costs	24	(1,997)		(2,989)	
Profit before income taxes		233,927	8.7	250,917	11.4
Income tax expenses	25	(59,149)		(64,756)	
Share of profits of investments accounted for using the equity method	11	1,642		3,042	
Profit for the year		¥ 176,420	6.6	¥ 189,203	8.6
Profit attributable to:					
Owners of the parent		¥ 156,182	5.8	¥ 174,765	8.0
Noncontrolling interests		¥ 20,238	0.8	¥ 14,438	0.6
Earnings per share attributable to owners of the parent:	26				
Basic		¥ 130.82		¥ 144.80	
Diluted		¥ —		¥ —	

Consolidated Statement of Comprehensive Income

(Unit: millions of yen)

Years ended December 31:	Note	2022	2021
Profit for the year		¥ 176,420	¥ 189,203
Other comprehensive income, net of income tax:	21		
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit pension plans		(8,642)	4,085
Net change in fair value of financial assets measured at fair value through other comprehensive income		8,108	12,682
Items that may be reclassified subsequently to profit or loss:			
Exchange rate differences on translating foreign operations		136,081	78,139
Total other comprehensive income, net of income tax		135,547	94,906
Comprehensive income for the year		¥ 311,967	¥ 284,109
Comprehensive income attributable to:			
Owners of the parent		¥ 285,657	¥ 269,162
Noncontrolling interests		¥ 26,310	¥ 14,947

See notes to consolidated financial statements.

(3) Consolidated Statement of Changes in Equity

(Unit: millions of yen)

	Note	Equity attributable to owners of the parent					Total equity attributable to owners of the parent	Noncontrolling interests	Total equity
		Share capital	Share premium	Retained earnings	Other components of equity	Treasury shares			
Balance as of January 1, 2021		¥ 84,130	¥ 84,943	¥ 1,325,764	¥ (18,162)	¥ (636)	¥ 1,476,039	¥ 98,146	¥ 1,574,185
Cumulative effect of change in accounting policies				943	7		950	716	1,666
Profit for the year				174,765			174,765	14,438	189,203
Total other comprehensive income, net of income tax	21				94,397		94,397	509	94,906
Comprehensive income for the year				174,765	94,397		269,162	14,947	284,109
Transfer to retained earnings				6,718	(6,718)		—		—
Dividends paid	21			(48,333)			(48,333)	(6,706)	(55,039)
Purchases and sales of treasury shares						(20,003)	(20,003)		(20,003)
Retirement of treasury shares			(95)	(20,226)		20,321	—		—
Share-based payments with transfer restrictions			98			184	282		282
Changes in ownership interests in subsidiaries			(60)		(2)		(62)	(29)	(91)
Balance as of December 31, 2021		¥ 84,130	¥ 84,886	¥ 1,439,631	¥ 69,522	¥ (134)	¥ 1,678,035	¥ 107,074	¥ 1,785,109
Profit for the year				156,182			156,182	20,238	176,420
Total other comprehensive income, net of income tax	21				129,475		129,475	6,072	135,547
Comprehensive income for the year				156,182	129,475		285,657	26,310	311,967
Transfer to retained earnings				10,757	(10,757)		—		—
Dividends paid	21			(51,466)			(51,466)	(6,673)	(58,139)
Purchases and sales of treasury shares						(23,412)	(23,412)		(23,412)
Retirement of treasury shares				(19,989)		19,989	—		—
Share-based payment transactions			552				552		552
Written put options over noncontrolling interests			(3,138)				(3,138)		(3,138)
Changes associate with business combinations							—	70,034	70,034
Changes in ownership interests in subsidiaries			(3,053)		146		(2,907)	(2,736)	(5,643)
Balance as of December 31, 2022		¥ 84,130	¥ 79,247	¥ 1,535,115	¥ 188,386	¥ (3,557)	¥ 1,883,321	¥ 194,009	¥ 2,077,330

See notes to consolidated financial statements.

(4) Consolidated Statement of Cash Flows

(Unit: millions of yen)

Years ended December 31:	Note	2022	2021
Cash flows from operating activities:			
Profit for the year		¥ 176,420	¥ 189,203
Depreciation and amortization		85,213	71,701
Finance income and costs		(12,040)	(6,455)
Income tax expenses		59,149	64,756
Share of profits of investments accounted for using the equity method		(1,642)	(3,042)
(Increase) decrease in trade receivables		(174,720)	30,366
Increase in finance receivables		(77,218)	(180,782)
Increase in inventories		(64,082)	(109,017)
Increase in other assets		(8,403)	(15,051)
Increase in trade payables		31,844	59,694
Increase in other liabilities		54,586	41,302
Net changes in retirement benefit assets and liabilities		3,142	(3,033)
Other, net		(830)	3,481
Interest received		5,100	2,071
Dividends received		2,255	2,234
Interest paid		(2,205)	(1,838)
Income taxes paid, net		(84,249)	(53,079)
Net cash (used in) provided by operating activities		(7,680)	92,511
Cash flows from investing activities:			
Payments for acquisition of property, plant, and equipment		(134,569)	(97,434)
Payments for acquisition of intangible assets		(35,082)	(28,289)
Proceeds from sales of property, plant, and equipment		4,246	4,294
Payments for acquisition of securities		(8,763)	(2,584)
Proceeds from sales and redemptions of securities		1,844	4,240
Payments for acquisition of subsidiaries		(135,039)	(7,986)
Payments for acquisition of investments accounted for using the equity method		(28,856)	(4,844)
Payments for loans receivable to associates		(16,900)	(19,090)
Collection of loans receivable from associates		16,300	19,590
Payments for time deposits		(17,304)	(35,352)
Proceeds from withdrawal of time deposits		13,930	46,282
Net decrease in restricted cash		638	9,894
Payments for acquisition of short-term investments		(97,563)	(689)
Proceeds from sales and redemptions of short-term investments		109,390	—
Other, net		9,229	(15,402)
Net cash used in investing activities		(318,499)	(127,370)
Cash flows from financing activities:			
Funding from bonds and long-term borrowings	27	703,003	336,100
Redemptions of bonds and repayments of long-term borrowings	27	(373,832)	(283,146)
Net increase in short-term borrowings	27	55,973	96,282
Repayments of lease liabilities	27	(20,731)	(19,096)
Dividends paid	21	(51,466)	(48,333)
Purchases of treasury shares		(23,412)	(20,003)
Other, net		(6,978)	(1,218)
Net cash provided by financing activities		282,557	60,586
Effect of exchange rate changes on cash and cash equivalents		10,782	9,993
Net (decrease) increase in cash and cash equivalents		(32,840)	35,720
Cash and cash equivalents, at the beginning of the year	6	258,639	222,919
Cash and cash equivalents, at the end of the year	6	¥ 225,799	¥ 258,639

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Kubota Corporation and Its Subsidiaries

1. REPORTING ENTITY

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

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

2. BASIS OF FINANCIAL STATEMENTS

Compliance with International Financial Reporting Standards (“IFRS”)

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

Basis of Measurement

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

Functional Currency and Presentation Currency

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

Significant Accounting Judgements, Estimates, and Assumptions

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

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

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

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

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

- (a) Measurement of intangible assets and goodwill acquired through business combination (refer to Note 3. SIGNIFICANT ACCOUNTING POLICIES, Business Combination; Goodwill and Intangible Assets, Note 5. BUSINESS COMBINATION, and Note 13. GOODWILL AND INTANGIBLE ASSETS)
- (b) Impairment of financial assets measured at amortized cost (refer to Note 3. SIGNIFICANT ACCOUNTING POLICIES, Financial Instruments and Note 28. FINANCIAL INSTRUMENTS)
- (c) Impairment of nonfinancial assets (refer to Note 3. SIGNIFICANT ACCOUNTING POLICIES, Impairment of Nonfinancial Assets, Note 12. PROPERTY, PLANT, AND EQUIPMENT and Note 13. GOODWILL AND INTANGIBLE ASSETS)

- (d) Measurement of provisions (refer to Note 3. SIGNIFICANT ACCOUNTING POLICIES, Provisions and Note 18. PROVISIONS)
- (e) Measurement of defined benefit liabilities (refer to Note 3. SIGNIFICANT ACCOUNTING POLICIES, Postemployment Benefits and Note 19. EMPLOYEE BENEFITS)
- (f) Contingent liabilities (refer to Note 31. COMMITMENTS AND CONTINGENT LIABILITIES)

As of the end of the reporting period, the Company expects that the impact of COVID-19 on the Company's results of operations is not material. However, the timing of convergence and future impact of COVID-19 remains uncertain, and an adverse development in the future could have a significant impact on the accounting judgments, estimates, and assumptions of the Company.

Changes in Presentation

Consolidated Statement of Financial Position

"Contract assets" and "Contract liabilities," previously included in "Other current assets" and "Other current liabilities" respectively, are presented separately from the year ended December 31, 2022, for clarification. To reflect this change in presentation, the comparative information has been retrospectively adjusted. As a result, ¥83,822 million presented as "Other current assets" in the previous fiscal year is now presented as "Contract assets" of ¥24,707 million and "Other current assets" of ¥59,115 million, and ¥234,579 million presented as "Other current liabilities" is now presented as "Contract liabilities" of ¥23,204 million and "Other current liabilities" of ¥211,177 million.

Furthermore, "Goodwill," previously included in "Goodwill and intangible assets," is presented separately from the year ended December 31, 2022, as the amounts became material. To reflect this change in presentation, the comparative information has been retrospectively adjusted. As a result, ¥95,884 million presented as "Goodwill and intangible assets" in the consolidated statement of financial position for the year ended December 31, 2021, is separately presented as "Goodwill" of ¥10,355 million and "Intangible assets" of ¥85,529 million.

Consolidated Statement of Cash Flows

"Payments for acquisition of subsidiaries" and "Payments for acquisition of investments accounted for using the equity method," previously included in "Other, net" in cash flows from investing activities, is presented separately from the year ended December 31, 2022, as the amount became material. To reflect this change in presentation, the comparative information has been retrospectively adjusted. As a result, net cash outflow of ¥28,232 million presented as "Other, net" in cash flows from investing activities in the year ended December 31, 2021, is separately presented as net cash outflow of ¥7,986 million for "Payments for acquisition of subsidiaries," net cash outflow of ¥4,844 million for "Payments for acquisition of investments accounted for using the equity method," and net cash outflow of ¥15,402 million for "Other, net."

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

(1) Subsidiaries and structured entities

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

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

control, and any gains or losses arising from such re-measurement are recognized in profit or loss.

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

(2) Associates and joint ventures

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

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

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

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

Business Combination

Business combinations are accounted for by the acquisition method and acquisition-related costs that are attributable to a business combination are expensed as incurred. Consideration for acquisition is measured as the sum of the acquisition date fair values of the assets transferred, liabilities assumed, and equity instruments issued by the Company in exchange of control over the acquired company. If consideration for acquisition exceeds the fair value of identifiable assets and liabilities, such excess is recorded as goodwill in the consolidated statement of financial position. Conversely, if the consideration turns out to be less than the fair value, the difference is immediately recognized in profit or loss in the consolidated statement of profit or loss.

For each business combination, the Company chooses whether noncontrolling interests are measured at fair value or at the proportion of the fair value of the identifiable assets and liabilities of the acquiree.

Acquisition of additional noncontrolling interests after control is obtained is accounted for as an equity transaction and no goodwill arising from such a transaction is recognized.

Business combinations under common control (i.e., transactions in which all of the combining entities and/or businesses are ultimately controlled by the same party or parties both before and after the business combination and the common control is not transitory) are accounted for at carrying amount.

If the initial accounting for the business combination is incomplete by the end of the fiscal year in which the business combination occurs, the business combination is accounted for using the provisional amounts. Provisional amounts are retrospectively adjusted when new information about facts and circumstances that existed at the acquisition date becomes available during the measurement period which shall not exceed one year from the acquisition date.

When a business combination is achieved in stages, previously held interest in the acquiree by the Company is remeasured at fair value as of the date of obtaining control and resulting gains or losses are recognized in profit or loss, or other comprehensive income.

Foreign Currency Translation

(1) Foreign currency transactions

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

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

(2) Translation of foreign operations

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

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

Financial Instruments

(1) Financial assets (excluding derivatives)

Initial recognition

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

Classification and subsequent measurement

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

Financial assets measured at amortized cost

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

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

Debt financial assets measured at fair value through other comprehensive income

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

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

Equity financial assets measured at fair value through other comprehensive income

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

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

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

Financial assets measured at fair value through profit or loss

Financial assets that are not classified as financial assets measured at amortized cost, debt financial assets measured at fair value through other comprehensive income, or equity financial assets measured at fair value through other comprehensive income are classified as financial assets measured at fair value through profit or loss. Subsequent changes in fair value related to financial assets measured at fair value through profit or loss are recognized in profit or loss.

Derecognition

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

Impairment of financial assets measured at amortized cost

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

(2) Financial liabilities (excluding derivatives)

Initial recognition

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

Classification and subsequent measurement

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

Derecognition

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

(3) Derivatives and hedge accounting

In order to hedge foreign currency risk and interest rate risk, the Company uses derivative financial instruments, such as foreign exchange forward contracts and interest rate swap contracts. Since these derivatives do not meet the requirements for hedge accounting, hedge accounting is not applied. The Company initially recognizes these derivatives at fair value at the date the contracts are entered into and subsequently re-measures them at fair value. Changes to the fair value of these derivatives are recognized in profit or loss.

(4) Fair value measurements

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

- Level 1 – quoted prices in active markets for identical assets or liabilities
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly
- Level 3 – unobservable inputs for the assets or liabilities. These are measured using the entity's own assumptions and inputs that are reasonably available or inputs many market participants use with reasonable confidence

Cash and Cash Equivalents

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

Inventories

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

Property, Plant, and Equipment

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

Property, plant, and equipment, except land and construction in progress, are principally depreciated using the straight-line method based on the estimated useful lives of the assets. The estimated useful lives range from 10 to 50 years for buildings and structures, and from two to 14 years for machinery and other equipment. Estimated useful lives, the depreciation method, and residual value of the assets are reviewed at least at each fiscal year end. Any changes in the useful life, depreciation method, and residual value are accounted for prospectively as a change in estimates.

Goodwill and Intangible Assets

(1) Goodwill

Goodwill is not amortized and is carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating unit (CGU) or groups of CGUs that are expected to benefit from the synergies of a business combination. Goodwill is tested for impairment annually, regardless of whether there is any indication of impairment, or whenever there is an indication of impairment or circumstances change. Impairment losses on goodwill are recognized in profit or loss and are not subsequently reversed.

The measurement of goodwill on initial recognition is described in *Business Combination* section.

(2) Intangible assets

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

Intangible assets acquired separately are measured at cost on initial recognition. Intangible assets acquired in a business combination are measured at fair value at the acquisition date.

Intangible assets with definite useful lives are amortized by the straight-line method over the estimated useful lives of the assets. The estimated useful lives of the main intangible assets are as follows: mainly 5 years for software for internal use, 5 years for capitalized development costs, 8-20 years for customer relationships, 10-20 years for trademarks and 10-14 years for technology know-how. Estimated useful lives and the amortization method are reviewed at least at each fiscal year end. Any changes in the useful life and amortization method are accounted for prospectively as a change in estimates.

Intangible assets with indefinite useful lives are not amortized. They are tested for impairment annually or whenever there is an indication that the asset may be impaired or circumstances change.

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

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

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

Leases

(1) As lessee

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

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

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

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

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

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

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

(2) As lessor

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

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

Impairment of Nonfinancial Assets

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

Goodwill, intangible assets with indefinite useful lives, and intangible assets that are not yet available for use are tested for impairment annually, regardless of whether there is any indication of impairment, or whenever there is an indication of impairment or circumstances change.

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

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

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

If the recoverable amount of the asset or CGU is less than its carrying amount, the carrying amount is reduced to the recoverable amount, and the difference between the recoverable amount and the carrying amount is recognized as an impairment loss in profit or loss. Impairment losses recognized in relation to the CGU are allocated first to reduce the carrying amount of goodwill allocated to such CGU and then to each asset, pro-rated across the respective carrying amounts of each asset within that CGU.

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

Provisions

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

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

Postemployment Benefits

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

(1) Defined benefit pension plans

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

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

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

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

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

(2) Defined contribution pension plans

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

Revenue Recognition

(1) Revenue from contracts with customers

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

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

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

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

Step 5: Recognize revenue when the entity satisfies a performance obligation

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

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

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

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

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

(2) Income from retail finance and finance leases

The Company provides retail finance and finance leases to end users who purchase the Company's products, such as farm equipment, etc., through dealers.

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

Income Taxes

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

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

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

Deferred tax assets are recognized only to the extent that it is probable that taxable profits will be available against the deductible temporary differences, unused tax losses, and unused tax credits. Deferred tax liabilities are recognized essentially for all taxable temporary differences.

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

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

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

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

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

Earnings per Share

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

Changes in Accounting Policies

The Company has previously evaluated and recognized an allowance for doubtful accounts for lease receivables based on lifetime expected credit losses. Effective from this current fiscal year, an allowance for doubtful accounts of which credit risk has not increased significantly since initial recognition is recognized for the 12-month expected credit losses, and an allowance for doubtful accounts of which credit risk has increased significantly since initial recognition is recognized for lifetime expected credit losses.

The Company has made this change since the Company has now accumulated sufficient data to enable a more detailed evaluation of expected credit losses for the finance lease business offered mainly in Thailand.

This change in the accounting policy has been applied retrospectively, and therefore the comparative information in the consolidated financial statements has been retrospectively adjusted. The impact of the change in accounting policy on the consolidated financial statements is immaterial.

New Accounting Standards and Interpretations Not Yet Adopted

The following are major standards and interpretations that were newly issued or amended by the date of approval of the consolidated financial statements, but have not been applied in the current fiscal year since application is not mandatory.

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

The Company has been accounted for insurance contracts in accordance with accounting principles generally accepted in the United States under IFRS 4. However, upon adoption of IFRS 17, the Company will, in principle, recognize and measure assets, liabilities, revenue and expenses related to insurance after classifying into fulfillment cash flows and unearned profits arising from insurance contracts. In applying IFRS 17, the difference that would have occurred had IFRS 17 been applied at the transition date of January 1, 2022, will be recognized as equity.

The Company considers that the impact of IFRS 17 on the consolidated financial statements is immaterial.

4. SEGMENT INFORMATION

The Company engages in various fields of business and industries by providing products and services that are categorized into the following three segments: Farm & Industrial Machinery, Water & Environment, and Other. Farm & Industrial Machinery mainly engages in manufacturing and sales of farm equipment, agricultural-related products, engines, and construction machinery. Water & Environment mainly engages in manufacturing and sales of pipe system-related products (ductile iron pipes, plastic pipes and other products,) materials and urban infrastructure-related products (reformer and cracking tubes, spiral welded steel pipes, air-conditioning equipment and other products) and environment-related products (environmental control plants, pumps and other products.) Other mainly engages in offering various services.

These three segments represent the Company's organizational structure, which is principally based on the nature of products and services, and the financial information by segment is reviewed periodically by the chief operating decision-maker in determining allocation of resources and evaluating performance. The accounting policies for the reportable segments are consistent with the accounting policies used in the Company's consolidated financial statements.

Information by reportable segment is summarized as follows:

(Unit: millions of yen)

	Farm & Industrial Machinery	Water & Environment	Other	Adjustments	Consolidated
Year ended December 31, 2022:					
Revenue:					
External customers	¥ 2,327,990	¥ 327,602	¥ 23,180	¥ —	¥ 2,678,772
Intersegment	257	184	34,787	(35,228)	—
Total	¥ 2,328,247	¥ 327,786	¥ 57,967	¥ (35,228)	¥ 2,678,772
Operating profit	¥ 237,134	¥ 17,250	¥ 3,089	¥ (38,531)	¥ 218,942
Depreciation and amortization	66,133	7,748	4,635	6,697	85,213
Addition to noncurrent assets	135,964	11,809	9,492	36,874	194,139
December 31, 2022:					
Assets	¥ 4,064,311	¥ 307,759	¥ 96,782	¥ 262,421	¥ 4,731,273
Investments accounted for using the equity method	13,577	5,030	27,885	—	46,492
Year ended December 31, 2021:					
Revenue:					
External customers	¥ 1,864,803	¥ 305,380	¥ 26,583	¥ —	¥ 2,196,766
Intersegment	244	1,523	31,083	(32,850)	—
Total	¥ 1,865,047	¥ 306,903	¥ 57,666	¥ (32,850)	¥ 2,196,766
Operating profit	¥ 248,793	¥ 22,270	¥ 3,700	¥ (30,198)	¥ 244,565
Depreciation and amortization	54,586	7,228	4,513	5,374	71,701
Addition to noncurrent assets	109,611	11,656	5,934	20,173	147,374
December 31, 2021:					
Assets	¥ 3,115,713	¥ 291,059	¥ 78,490	¥ 288,394	¥ 3,773,656
Investments accounted for using the equity method	12,521	5,007	26,240	—	43,768

(Notes)

1. *Adjustments* include items, such as the elimination of intersegment transfers, corporate expenses, and corporate assets, which are not allocated to any particular reportable segment. The corporate expenses included in *Adjustments* amounted to ¥38,531 million and ¥30,198 million for the year ended December 31, 2022 and 2021, respectively, which consist mainly of administration department expenses, basic research expenses, and foreign exchange gains or losses incurred by the Parent Company. The corporate assets included in *Adjustments* amounted to ¥294,761 million and ¥317,016 million at December 31, 2022 and 2021, respectively, which consists mainly of cash and cash equivalents, securities, and corporate properties held or used by the administration department of the Parent Company.
2. The aggregated amounts of operating profit are equal to those presented in the consolidated statement of profit or loss. Refer to the consolidated statement of profit or loss for the reconciliation of operating profit to profit before income taxes.
3. Intersegment transfers are recorded at values that approximate market prices.
4. Noncurrent assets do not include financial instruments, deferred tax assets, nor net defined benefit assets.

Revenue from External Customers by Product Group

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

(Unit: millions of yen)

Years ended December 31:	2022	2021
Farm & Industrial Machinery:		
Farm equipment and engines	¥ 1,821,532	¥ 1,474,428
Construction machinery	506,458	390,375
Subtotal	2,327,990	1,864,803
Water & Environment:		
Pipe system-related products	134,628	126,580
Materials and urban infrastructure-related products	68,958	58,004
Environment-related products	124,016	120,796
Subtotal	327,602	305,380
Other	23,180	26,583
Total	¥ 2,678,772	¥ 2,196,766

(Note)

Effective from the year ended December 31, 2022, in conformity with changes in the internal organization of the Company, the former product group of "Pipe- and infrastructure-related products" is reclassified into "Pipe system-related products" and "Materials and urban infrastructure-related products." The comparative information has been retrospectively adjusted and presented in accordance with the new classification.

Geographic Information

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

(Unit: millions of yen)

Years ended December 31:	2022	2021
Japan	¥ 602,376	¥ 602,783
North America	1,101,960	819,813
Europe	337,976	285,651
Asia outside Japan	532,989	406,884
Other areas	103,471	81,635
Total	¥ 2,678,772	¥ 2,196,766

(Notes)

- Revenue from North America includes that from the United States of ¥971,475 million and ¥721,398 million for the years ended December 31, 2022 and 2021, respectively.
- There were no sales to specific customers that exceed 10% of consolidated revenue of the Company.

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

(Unit: millions of yen)

December 31:	2022	2021
Japan	¥ 461,777	¥ 378,632
North America	150,621	110,289
Europe	82,829	55,305
Asia outside Japan	235,850	60,940
Other areas	2,355	3,649
Total	¥ 933,432	¥ 608,815

(Notes)

- Noncurrent assets do not include financial instruments, deferred tax assets, and net defined benefit assets.
- Noncurrent assets of North America include those in the United States of ¥139,895 million and ¥92,900 million as of December 31, 2022 and 2021, respectively. Noncurrent assets of Asia outside Japan include those in India of ¥173,305 million and ¥5,097 million as of December 31, 2022 and 2021, respectively.

5. BUSINESS COMBINATION

Year ended December 31, 2022

Acquisition of Escorts Limited

(1) Outline of the Business Combination

1) Name and nature of business of the acquiree

Name: Escorts Limited (Corporate name has been changed to Escorts Kubota Limited on June 9, 2022.)

Business: Manufacture and sales of agricultural machinery, construction machinery, etc.

2) Primary reason for business combination

The market of tractors that are designed to be highly durable with limited functions and at affordable prices (hereinafter, "basic tractors") are expected to expand primarily in the emerging countries. The Parent Company aims to provide basic tractors of good quality at an affordable price in this market by combining expertise of EKL in the development and manufacturing of basic tractors with accumulated product development knowledge and capabilities to improve quality and productivity of the Parent Company.

3) Acquisition date

April 11, 2022

4) Shareholding ratio acquired

44.8%

5) Method by which control of the acquiree was obtained

The Company acquired additional shares of EKL in cash, and the shareholding ratio of the Parent Company in EKL has increased to 44.8%. EKL is considered substantially controlled by the Parent Company as officers from the Parent Company were appointed as members of EKL's Board of Directors, and became a subsidiary of the Parent Company during the three months ended June 30, 2022.

(2) Acquisition Cost

		(Unit: millions of yen)
Fair value of acquisition cost		Amount
Cash	¥	123,722
Equity interests held immediately prior to the acquisition date		71,351
Total	¥	195,073

(3) Assets Acquired, Liabilities Assumed, Noncontrolling Interests, and Goodwill

		(Unit: millions of yen)
Fair value of assets acquired and liabilities assumed		Amount
Current assets:		
Trade receivables	¥	13,078
Other financial assets		42,533
Inventories		13,969
Others		6,237
Noncurrent assets:		
Other financial assets		37,868
Property, plant, and equipment		29,699
Others		6,710
Current liabilities:		
Trade payables		14,748
Others		7,606
Noncurrent liabilities:		2,576
Fair value of assets acquired and liabilities assumed, net	¥	125,164
Noncontrolling interests		69,091
Goodwill		139,000
Total	¥	195,073

(Notes)

- The above amounts are provisional estimates since the allocation of acquisition cost has not been completed as of December 31, 2022.
- Noncontrolling interests are recognized at the proportion of the fair value of the identifiable assets and liabilities of the acquiree.

(4) Composition of Goodwill Recognized

Goodwill reflects the future excess earning power expected from the business development and synergies between the Company and EKL.

(5) Impact of the Business Combination on Earnings

Revenue and profit for the year of EKL from the acquisition date to December 31, 2022, are ¥104,076 million and ¥7,046 million, respectively.

Assuming that such business combination occurred as of January 1, 2022, revenue and profit of the Company for the year ended December 31, 2022, are ¥2,711,389 million and ¥179,612 million, respectively. This pro forma information is not subject to audit certification.

Other business combinations

Business combinations other than the acquisition of Escorts Limited that are individually immaterial but are material collectively are disclosed in aggregate.

Business combinations during the year ended December 31, 2022, took place in the Farm & Industrial Machinery segment, and the aggregate information of these business combinations is as follows.

(1) Acquisition Cost

(Unit: millions of yen)		
Fair value of acquisition cost		Amount
Cash	¥	30,386
Total	¥	30,386

(Note)

The above amounts have been finalized following the completion of post-acquisition adjustments.

(2) Assets Acquired, Liabilities Assumed, Noncontrolling Interests, and Goodwill

(Unit: millions of yen)		
Fair value of assets acquired and liabilities assumed		Amount
Current assets	¥	11,910
Noncurrent assets		10,530
Current liabilities		5,889
Noncurrent liabilities		3,445
Fair value of assets acquired and liabilities assumed, net	¥	13,106
Noncontrolling interests		943
Goodwill		18,223
Total	¥	30,386

(Notes)

1. The above amounts were provisional estimates at September 30, 2022, based on the information available during the period, however, the amounts have been finalized by December 31, 2022, as the allocation of acquisition cost has been completed. The impact of the finalization of the provisional accounting is immaterial.
2. Noncontrolling interests are recognized at the proportion of the fair value of the identifiable assets and liabilities of the acquiree.
3. Written put options are granted to noncontrolling shareholder of the acquiree. In principle, the present value of the redemption amount is recognized as a financial liability (noncurrent) and the same amount is reduced from share premium.

(3) Composition of Goodwill Recognized

Goodwill resulting from these business combinations is recorded in the Farm & Industrial Machinery segment. Goodwill reflects the future excess earning power from synergies with existing operations expected to arise from acquisitions that do not qualify for separate recognition.

(4) Impact of the Business Combination on Earnings

Revenue and profit for the year of acquirees from the acquisition date to December 31, 2022, as well as revenue and profit for the year of the Company assuming that such business combinations occurred as of January 1, 2022, are not disclosed since the impact on the consolidated financial statements is immaterial.

Year ended December 31, 2021

No material matters.

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are composed of the following:

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

(Unit: millions of yen)

December 31:		2022		2021
Cash and deposits	¥	181,421	¥	207,681
Short-term investments		44,378		50,958
Total	¥	225,799	¥	258,639

(Note)

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

7. TRADE RECEIVABLES

Trade receivables are composed of the following:

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

(Unit: millions of yen)

December 31:		2022		2021
Trade notes	¥	91,130	¥	85,019
Trade accounts receivable		693,682		492,388
Allowance for doubtful accounts		(5,427)		(3,058)
Total	¥	779,385	¥	574,349

8. FINANCE RECEIVABLES

Finance receivables are composed of the following:

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

(Unit: millions of yen)

December 31:		2022		2021
Retail finance receivables	¥	1,294,750	¥	1,083,738
Finance lease receivables		412,833		347,286
Allowance for doubtful accounts		(23,069)		(20,525)
Total	¥	1,684,514	¥	1,410,499
Current assets		480,658		381,235
Noncurrent assets		1,203,856		1,029,264

9. OTHER FINANCIAL ASSETS

Other financial assets are composed of the following:

(Unit: millions of yen)				
December 31:		2022		2021
Financial assets measured at amortized cost:				
Long-term trade accounts receivable	¥	36,555	¥	37,013
Time deposits		16,745		12,054
Restricted cash (Note)		5,878		5,651
Debt financial assets		44,132		—
Others		18,582		33,709
Financial assets measured at fair value through other comprehensive income:				
Debt financial assets		—		686
Equity financial assets		68,595		106,328
Financial assets measured at fair value through profit or loss:				
Debt financial assets		35,515		5,245
Derivatives		10,952		4,970
Total	¥	236,954	¥	205,656
Current assets		71,516		50,875
Noncurrent assets		165,438		154,781

(Note)

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

The Company holds equity financial assets mainly for the purpose of maintaining and enhancing business relationships and have been classified as equity financial assets measured at fair value through other comprehensive income. The fair value of equity financial assets by issue is as follows:

(Unit: millions of yen)				
	Issue			
December 31:		2022		2021
Sumitomo Mitsui Trust Holdings, Inc.	¥	10,381	¥	8,695
Sumitomo Mitsui Financial Group, Inc.		9,246		6,884
Shin-Etsu Chemical Co., Ltd.		7,538		9,255
Daikin Industries, Ltd.		7,082		9,147
Osaka Gas Co., Ltd.		6,658		5,942
Mitsubishi UFJ Financial Group, Inc.		5,390		3,789
Toho Gas Co., Ltd.		3,623		4,216
Hulic Co., Ltd.		2,080		2,184
Mitsubishi Estate Co., Ltd.		1,800		1,677
Yamazen Corporation		1,058		1,135
Escorts Ltd.		—		36,264
Others	¥	13,739	¥	17,140

The Company sold and derecognized certain equity financial assets measured at fair value through other comprehensive income, primarily as a result of review of its business relationships. Fair values as of derecognition date and the accumulated gains or losses before tax effect adjustments on their disposal are as follows:

(Unit: millions of yen)				
Years ended December 31:		2022		2021
Fair value as of derecognition	¥	1,844	¥	4,240
Accumulated gains (losses)		1,000		3,810

10. INVENTORIES

Inventories are composed of the following:

(Unit: millions of yen)

December 31:		2022		2021
Finished products	¥	358,097	¥	300,041
Spare parts		88,795		74,090
Work in process		76,519		61,793
Raw materials and supplies		121,060		74,141
Total	¥	644,471	¥	510,065

Inventories recognized as an expense for the year ended December 31, 2022 and 2021, were ¥1,819,184 million and ¥1,435,255 million, respectively. The write-downs of inventories recognized as an expense for the year ended December 31, 2022 and 2021, were ¥2,482 million and ¥1,746 million, respectively.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in and Loans Receivable from Associates and Transactions with Associates

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

(Unit: millions of yen)

December 31:		2022		2021
Trade receivables	¥	19,479	¥	18,301
Loans receivable		2,252		1,550
Investments		20,019		17,501
Deposits received		5,844		6,652

Aggregate revenue from associates was ¥49,725 million and ¥50,426 million for the year ended December 31, 2022 and 2021, respectively.

There are no associates that are individually material to the Company. The Company's share of profit of associates that are not individually material was ¥876 million and ¥902 million for the year ended December 31, 2022 and 2021, respectively.

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

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

(Unit: millions of yen)

December 31:		2022		2021
Trade receivables	¥	474	¥	519
Loans receivable		—		—
Investments		26,473		26,267
Deposits received		10,640		11,029

Aggregate revenue from joint ventures was ¥5,580 million and ¥5,521 million for the year ended December 31, 2022 and 2021, respectively.

There are no joint ventures that are individually material to the Company. The Company's share of profit related to joint ventures that are not individually material was ¥766 million and ¥2,140 million for the year ended December 31, 2022 and 2021, respectively.

12. PROPERTY, PLANT, AND EQUIPMENT

Reconciliation

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

Acquisition Costs

(Unit: millions of yen)						
		Land	Buildings and structures	Machinery and equipment	Construction in progress	Total
January 1, 2021	¥	104,064	¥ 381,775	¥ 571,911	¥ 33,190	¥ 1,090,940
Acquisition		779	19,847	21,795	87,412	129,833
Sales or disposal		(186)	(8,647)	(21,636)	(2,506)	(32,975)
Exchange rate differences on foreign currencies		1,648	7,181	11,212	1,277	21,318
Transfers between accounts		1,567	24,440	33,658	(59,665)	—
Others		22	(454)	551	(343)	(224)
December 31, 2021	¥	107,894	¥ 424,142	¥ 617,491	¥ 59,365	¥ 1,208,892
Acquisition		2,168	25,838	22,268	122,780	173,054
Sales or disposal		(463)	(10,939)	(23,666)	(4,756)	(39,824)
Acquisition through business combination		17,120	2,747	9,305	918	30,090
Exchange rate differences on foreign currencies		2,725	14,841	22,893	2,995	43,454
Transfers between accounts		8,028	83,190	47,873	(139,091)	—
Others		(522)	327	(1,219)	157	(1,257)
December 31, 2022	¥	136,950	¥ 540,146	¥ 694,945	¥ 42,368	¥ 1,414,409

Accumulated Depreciation and Accumulated Impairment Losses

(Unit: millions of yen)						
		Land	Buildings and structures	Machinery and equipment	Construction in progress	Total
January 1, 2021	¥	1,437	¥ 222,973	¥ 441,858	¥ —	¥ 666,268
Depreciation		241	21,482	36,016	—	57,739
Impairment losses		—	76	604	63	743
Sales or disposal		(2)	(7,257)	(14,613)	—	(21,872)
Exchange rate differences on foreign currencies		5	1,757	6,500	—	8,262
Others		3	601	836	—	1,440
December 31, 2021	¥	1,684	¥ 239,632	¥ 471,201	¥ 63	¥ 712,580
Depreciation		421	25,317	42,095	—	67,833
Impairment losses		30	1,318	891	—	2,239
Sales or disposal		(8)	(8,960)	(20,898)	(62)	(29,928)
Exchange rate differences on foreign currencies		2	5,431	16,582	—	22,015
Others		226	1,574	2,170	—	3,970
December 31, 2022	¥	2,355	¥ 264,312	¥ 512,041	¥ 1	¥ 778,709

Balances of Carrying Amount

(Unit: millions of yen)						
		Land	Buildings and structures	Machinery and equipment	Construction in progress	Total
January 1, 2021	¥	102,627	¥ 158,802	¥ 130,053	¥ 33,190	¥ 424,672
December 31, 2021	¥	106,210	¥ 184,510	¥ 146,290	¥ 59,302	¥ 496,312
December 31, 2022	¥	134,595	¥ 275,834	¥ 182,904	¥ 42,367	¥ 635,700

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

13. GOODWILL AND INTANGIBLE ASSETS

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

Acquisition Costs

(Unit: millions of yen)

	Intangible assets					
	Goodwill	Software	Intangible assets through business combination	Capitalized development costs	Other	Total
January 1, 2021	¥ 7,285	¥ 58,776	¥ 31,659	¥ 29,578	¥ 3,574	¥ 123,587
Acquisition	—	15,963	—	—	1,075	17,038
Internal development	—	2,188	—	7,106	—	9,294
Sales and disposal	—	(4,137)	—	(1,316)	(664)	(6,117)
Acquisition through business combination	6,914	—	—	—	—	—
Exchange rate differences on foreign currencies	330	1,083	2,106	257	545	3,991
Others	—	2,547	—	(70)	(1,022)	1,455
December 31, 2021	¥ 14,529	¥ 76,420	¥ 33,765	¥ 35,555	¥ 3,508	¥ 149,248
Acquisition	—	22,681	—	—	1,067	23,748
Internal development	—	3,805	—	7,473	—	11,278
Sales and disposal	—	(2,923)	—	(142)	(72)	(3,137)
Acquisition through business combination	157,223	752	8,544	519	234	10,049
Exchange rate differences on foreign currencies	(1,560)	2,428	4,123	607	469	7,627
Others	(3,188)	(356)	1,209	(306)	(1,164)	(617)
December 31, 2022	¥ 167,004	¥ 102,807	¥ 47,641	¥ 43,706	¥ 4,042	¥ 198,196

Accumulated Amortization and Accumulated Impairment Losses

(Unit: millions of yen)

	Intangible assets					
	Goodwill	Software	Intangible assets through business combination	Capitalized development costs	Other	Total
January 1, 2021	¥ 3,987	¥ 23,124	¥ 17,927	¥ 10,586	¥ 2,709	¥ 54,346
Amortization	—	6,639	1,727	4,925	671	13,962
Sales and disposal	—	(4,118)	—	(1,311)	(759)	(6,188)
Exchange rate differences on foreign currencies	187	465	956	146	184	1,751
Others	—	(787)	—	607	28	(152)
December 31, 2021	¥ 4,174	¥ 25,323	¥ 20,610	¥ 14,953	¥ 2,833	¥ 63,719
Amortization	—	8,520	2,256	5,924	680	17,380
Sales and disposal	—	(2,942)	—	(140)	(68)	(3,150)
Exchange rate differences on foreign currencies	391	1,147	2,712	499	138	4,496
Others	—	(291)	—	(170)	(123)	(584)
December 31, 2022	¥ 4,565	¥ 31,757	¥ 25,578	¥ 21,066	¥ 3,460	¥ 81,861

Balances of Carrying Amount

(Unit: millions of yen)

	Intangible assets					
	Goodwill	Software	Intangible assets through business combination	Capitalized development costs	Other	Total
January 1, 2021	¥ 3,298	¥ 35,652	¥ 13,732	¥ 18,992	¥ 865	¥ 69,241
December 31, 2021	¥ 10,355	¥ 51,097	¥ 13,155	¥ 20,602	¥ 675	¥ 85,529
December 31, 2022	¥ 162,439	¥ 71,050	¥ 22,063	¥ 22,640	¥ 582	¥ 116,335

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

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

The following table presents the expenditures relating to research and development that were expensed:

(Unit: millions of yen)

Years ended December 31:		2022		2021
Amounts incurred	¥	89,897	¥	67,469
Amounts transferred to capitalized development costs		(7,473)		(7,106)
Capitalized development costs amortized		5,924		4,925
Total	¥	88,348	¥	65,288

Others in the previous tables include intangible assets with indefinite useful lives, but the amount is immaterial.

The following table presents the carrying amount of goodwill allocated to the CGUs:

(Unit: millions of yen)

December 31		2022		2021
Farm & Industrial Machinery	North America	¥ 8,352	¥	1,029
	Europe	17,446		1,499
	Other	1,011		913
Total		¥ 26,809	¥	3,441

The recoverable amount of the CGU to which goodwill is allocated is measured using the value in use. The value in use is calculated by discounting the estimated future cash flows to present value based on a five-year business plan reflecting past performance. The estimated future cash flows for the periods over five years approved by management are calculated by using the market growth rate (from 2.0% to 3.0%), taking into consideration the long-term average growth rate in each country or market in which the CGU belongs. The discount rate is based on the pre-tax weighted average cost of capital on each of CGUs (from 10.2% to 14.9%).

Since the value in use is well above the carrying amount of the CGU, the Company has concluded that even if market growth rate and discount rate used in value in use calculation moved within a reasonable range of values, it is unlikely that a material impairment would be incurred.

Good will of ¥135,630 million resulting from the acquisition of Escorts Limited is a provisional estimate as the initial accounting for the business combination has not been completed as described in Note 5. BUSINESS COMBINATION, and allocation to CGU has not been completed.

14. LEASES

As Lessee

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

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

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

(Unit: millions of yen)

		Land	Buildings and structures	Machinery and equipment and others	Total
January 1, 2021	¥	3,802	¥ 32,312	¥ 10,561	¥ 46,675
Increase		660	15,965	12,097	28,722
Depreciation		(236)	(11,495)	(4,400)	(16,131)
Decrease		—	(1,050)	(1,158)	(2,208)
December 31, 2021	¥	4,226	¥ 35,732	¥ 17,100	¥ 57,058
Increase		1,411	22,643	2,498	26,552
Depreciation		(409)	(13,240)	(4,706)	(18,355)
Decrease		(147)	(3,208)	(5,443)	(8,798)
December 31, 2022	¥	5,081	¥ 41,927	¥ 9,449	¥ 56,457

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

(Unit: millions of yen)

Years ended December 31:	2022	2021
Interest expense related to lease liabilities	¥ 148	¥ 101
Expenses related to short-term leases	338	462
Expenses related to leases of low-value assets	2,535	1,882

Total cash outflows for leases were ¥23,752 million and ¥21,541 million for the year ended December 31, 2022 and 2021, respectively.

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

The following table presents maturity analyses for lease liabilities as of December 31, 2022 and 2021:

(Unit: millions of yen)

December 31:	2022	2021
Within 1 year	¥ 18,539	¥ 16,374
Between 1 and 5 years	32,994	28,266
Later than 5 years	3,324	3,296
Undiscounted lease liabilities	¥ 54,857	¥ 47,936
Less:		
Interest equivalent	(2,481)	(473)
Present value of lease liabilities	¥ 52,376	¥ 47,463

As Lessor

The Company leases its farm equipment and others to end users under finance leases.

Risks associated with the underlying assets are mitigated through regular monitoring and by accumulating information on sales in the secondhand market.

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

(Unit: millions of yen)

Years ended December 31:	2022	2021
Finance income on the net investment in the lease	¥ 34,090	¥ 28,368

The following table presents maturity analyses for lease receivables

(Unit: millions of yen)

Years ended December 31:	2022	2021
Within 1 year	¥ 143,656	¥ 119,123
Between 1 and 2 years	123,720	102,796
Between 2 and 3 years	88,190	75,735
Between 3 and 4 years	63,388	54,981
Between 4 and 5 years	41,502	34,981
Later than 5 years	31,704	25,646
Undiscounted lease receivables	¥ 492,160	¥ 413,262
Less:		
Unearned finance income	(79,327)	(65,976)
Net investment in the lease	¥ 412,833	¥ 347,286

15. BONDS AND BORROWINGS

Bonds and Borrowings

Bonds and borrowings are composed of the following:

(Unit: millions of yen)

December 31:	2022	2021
Short-term borrowings (Note 1)	¥ 351,030	¥ 263,242
Bonds and long-term borrowings (Note 2)	1,260,075	831,267
Total	¥ 1,611,105	¥ 1,094,509
Current liabilities	640,889	504,335
Noncurrent liabilities	970,216	590,174

(Notes)

1. Short-term borrowings consist of notes payable to banks and commercial paper. The weighted-average interest rate on short-term borrowings at December 31, 2022, was 4.225%.
2. Bonds and long-term borrowings include their current portions.

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

(Unit: millions of yen)

December 31:	2022	2021	Interest rate (%)	Maturity term
Bonds				
14 th Unsecured Bond	¥ 99,821	¥ —	0.300	Fiscal year 2027
15 th Unsecured Bond	49,793	—	0.514	Fiscal year 2032
Long-term borrowings			1.960	Through fiscal year 2029
Secured	343,623	265,945		
Unsecured	766,838	565,322		
Total	¥ 1,260,075	¥ 831,267		
Current portion	289,859	241,093		

(Note)

Interest rate of bonds are that of nominal interest rate and the interest rate of long-term borrowings is that of the weighted-average interest rate at December 31, 2022.

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

Assets Pledged as Collateral

The following table presents assets pledged as collateral:

(Unit: millions of yen)

December 31:	2022	2021
Trade receivables	¥ 13	¥ 17
Finance receivables (current) (Note 1)	148,573	114,140
Other financial assets (current) (Note 2)	3,991	4,011
Finance receivables (noncurrent) (Note 1)	260,925	191,908
Property, plant, and equipment	404	931
Total	¥ 413,906	¥ 311,007

(Notes)

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

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

16. TRADE PAYABLES

Trade payables are composed of the following:

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

(Unit: millions of yen)

December 31:		2022		2021
Trade notes payable	¥	274,855	¥	245,836
Trade accounts payable		179,925		146,495
Total	¥	454,780	¥	392,331

17. OTHER FINANCIAL LIABILITIES

Other financial liabilities are composed of the following:

(Unit: millions of yen)

December 31:		2022		2021
Financial liabilities measured at amortized cost:				
Lease liabilities	¥	52,376	¥	47,463
Notes and accounts payable for capital expenditures		43,054		37,072
Deposits received		27,617		27,922
Others		21,194		12,361
Financial liabilities measured at fair value through profit or loss:				
Derivatives		2,990		5,297
Total	¥	147,231	¥	130,115
Current liabilities		106,096		96,740
Noncurrent liabilities		41,135		33,375

18. PROVISIONS

The following table presents a reconciliation of provisions by items:

(Unit: millions of yen)

	Product warranty		Other provisions		Total
January 1, 2022	¥	48,569	¥	5,017	¥ 53,586
Additions		48,522		3,410	51,932
Utilized		(38,069)		(2,432)	(40,501)
Reversal		(2,298)		(22)	(2,320)
Others		2,975		2,203	5,178
December 31, 2022	¥	59,699	¥	8,176	¥ 67,875

The Company provides contractual product warranties under which it generally guarantees the performance of products sold according to a product specification which the Company and its customers have mutually agreed on. The cost of free repairs expected to be incurred in the future is recorded as a provision for product warranties. The provision for product warranties includes expenditures estimated based on historical costs of product warranties, as well as expenditures estimated individually for recalls and voluntary free repairs based on unit repair costs and the number of units to be repaired. The outflow of economic benefits is expected to occur generally within one year to five years.

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

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

(Unit: millions of yen)

December 31:		2022		2021
Current liabilities	¥	65,823	¥	52,208
Noncurrent liabilities		2,052		1,378
Total	¥	67,875	¥	53,586

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

19. EMPLOYEE BENEFITS

Postemployment Benefits

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

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

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

In November 2021, the Parent Company extended the mandatory retirement age of certain employees from 60 to 65, and the defined benefit corporate pension plans and retirement allowance plans, which were revised in conjunction with the extended mandatory retirement age, became effective on April 1, 2022.

As a result of the amendment of the plan, the defined benefit plan obligation was reduced and the same amount of past service cost was recognized in profit or loss in the year ended December 31, 2021. The total amount of past service cost recognized in profit or loss for the year ended December 31, 2021 was ¥5,547 million, which reduced cost of sales and selling, general, and administrative expenses in the consolidated statements of profit or loss by ¥3,933 million and ¥1,614 million, respectively.

Furthermore, part of the defined benefit corporate pension plans were terminated and the past funding were transferred to the defined contribution plan.

As a result of the transfer of the plan, defined benefit liabilities and plan assets were decreased by ¥17,933 million and ¥19,211 million, respectively, in the year ended December 31, 2022, and the difference was recognized for the year as loss on settlement. Loss on settlement recognized in the consolidated statements of profit or loss for the year ended December 31, 2022, was ¥1,728 million, of which ¥910 million was included in cost of sales and ¥368 million in selling, general, and administrative expenses.

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

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

	(Unit: millions of yen)			
December 31:		2022		2021
Present value of defined benefit obligation	¥	193,251	¥	232,588
Fair value of plan assets		210,763		243,722
Effect of asset ceiling		29,518		6,843
Net defined benefit liabilities	¥	12,006	¥	(4,291)
Amount recognized in the consolidated statement of financial position:				
Other noncurrent assets	¥	2,287	¥	19,190
Retirement benefit liabilities		14,293		14,899
Net amount recognized in the consolidated statement of financial position	¥	12,006	¥	(4,291)

(2) Present value of defined benefit obligation

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

(Unit: millions of yen)

Years ended December 31:	2022	2021
Balance at the beginning of the year	¥ 232,588	¥ 234,192
Service costs	10,611	10,131
Interest costs	2,075	1,771
Past service costs	—	(5,547)
Remeasurement of defined benefit obligation:		
Actuarial gains and losses arising from changes in demographic assumptions	4	(6)
Actuarial gains and losses arising from changes in financial assumptions	(30,119)	(828)
Others	2,400	1,662
Benefits paid (lump-sum payment)	(3,420)	(4,077)
Benefits paid (annuity payment)	(6,252)	(5,924)
Transfer of the plan	(17,933)	—
Changes in scope of consolidation	1,803	—
Exchange rate differences on foreign currencies	1,494	1,214
Balance at the end of the year	¥ 193,251	¥ 232,588

The weighted-average duration of defined benefit obligation at December 31, 2022 and 2021, was 17 years for both years.

(3) Fair value of plan assets

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

(Unit: millions of yen)

Years ended December 31:	2022	2021
Balance at the beginning of the year	¥ 243,722	¥ 232,086
Interest income	4,312	1,874
Return from remeasurement of plan assets	(19,433)	11,474
Employer contributions	6,203	4,797
Benefits paid (lump-sum payment)	(1,295)	(1,576)
Benefits paid (annuity payment)	(6,252)	(5,924)
Transfer of the plan	(19,211)	—
Changes in scope of consolidation	1,475	—
Exchange rate differences on foreign currencies	1,242	991
Balance at the end of the year	¥ 210,763	¥ 243,722

The Company plans to make contributions of ¥6,500 million to the defined benefit corporate pension plan for the year ending December 31, 2023.

(4) Effect of asset ceiling

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

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

(Unit: millions of yen)

Years ended December 31:	2022	2021
Balance at the beginning of the year	¥ 6,843	¥ 2,304
Interest income	0	88
Remeasurement of defined benefit pension plan:		
Changes in effect of asset ceiling	22,675	4,451
Balance at the end of the year	¥ 29,518	¥ 6,843

(5) Actuarial assumptions

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

December 31:	2022	2021
Discount rate	1.8%	0.8%

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

(6) Breakdown of plan assets by item

The plan assets are composed of the following:

(Units: millions of yen)				
December 31, 2022	With quoted price in an active market	With no quoted price in an active market	Total	
Equity securities:				
Financial institutions (Japanese equity securities)	¥ 9,565	¥ —	¥	9,565
Other industries (Japanese equity securities)	10,949	—		10,949
Pooled funds (Japanese equity securities)	—	16,514		16,514
Pooled funds (Foreign equity securities)	—	30,394		30,394
Debt securities:				
Pooled funds (Japanese debt securities)	—	43,098		43,098
Pooled funds (Foreign debt securities)	—	41,906		41,906
Cash and short-term investments	1,315	4,047		5,362
General accounts of insurance companies	—	28,773		28,773
Other assets	—	24,202		24,202
Total	¥ 21,829	¥ 188,934	¥	210,763

(Units: millions of yen)				
December 31, 2021	With quoted price in an active market	With no quoted price in an active market	Total	
Equity securities:				
Financial institutions (Japanese equity securities)	¥ 7,137	¥ —	¥	7,137
Other industries (Japanese equity securities)	13,371	—		13,371
Pooled funds (Japanese equity securities)	—	23,016		23,016
Pooled funds (Foreign equity securities)	—	34,139		34,139
Debt securities:				
Pooled funds (Japanese debt securities)	—	63,486		63,486
Pooled funds (Foreign debt securities)	—	51,953		51,953
Cash and short-term investments	711	2,575		3,286
General accounts of insurance companies	—	27,387		27,387
Other assets	—	19,947		19,947
Total	¥ 21,219	¥ 222,503	¥	243,722

The Company's policy and objective for plan asset management is to maximize returns on plan assets to meet future benefit payment requirements under risks which the Company considers permissible. In order to diversify potential risks, careful consideration is given to balancing the portfolio among industry sectors, companies, and geographies, taking into account interest rate sensitivity, dependence on economic growth, currency, and other factors that affect investment returns. The Company's target allocation is 38% for equity securities and foreign debt securities subject to foreign currency exchange rate risks and 62% for other investment vehicles, primarily Japanese debt securities, foreign debt securities not subject to foreign currency exchange rate risks, cash, short-term investments, and the general accounts of insurance companies.

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

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

(7) Sensitivity analysis of significant actuarial assumptions

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

(Unit: millions of yen)

December 31:	2022	2021
Discount rate (0.5% increase)	¥ 9,820 (decrease)	¥ 12,337 (decrease)
Discount rate (0.5% decrease)	11,013 (increase)	13,988 (increase)

The above sensitivity analysis assumes that assumptions other than discount rate remain unchanged. In practice, the results of this sensitivity analysis do not necessarily accurately represent changes in defined benefit liabilities because of interrelated changes in other actuarial assumptions.

(8) Defined contribution pension plans

Costs recognized for defined contribution pension plans for the years ended December 31, 2022 and 2021, were ¥6,033 million and ¥4,987 million, respectively.

Employee Benefit Expenses

Employee benefit expenses included in the consolidated statement of profit or loss were ¥402,795 million and ¥344,148 million for the year ended December 31, 2022 and 2021, respectively.

Employee benefit expenses include expenses such as salaries, bonus, welfare, and postemployment benefits for employees. Compensation for the Directors is also included in employee benefit expenses (refer Note 30. RELATED-PARTY TRANSACTIONS).

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

20. OTHER LIABILITIES

The following table presents the Company's other liabilities:

(Unit: millions of yen)

December 31:	2022	2021
Employment benefit obligation	¥ 55,925	¥ 50,377
Accrued expenses	54,099	51,075
Refund liabilities	67,975	36,323
Others	97,461	78,725
Total	¥ 275,460	¥ 216,500
Current liabilities	268,787	211,177
Noncurrent liabilities	6,673	5,323

21. EQUITY

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

The total number of shares authorized to be issued was 1,874,700,000 shares as of December 31, 2022 and 2021. All shares issued by the Company are common stock without par value and issued shares have been fully paid.

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

	(Unit: thousands of shares)	
Years ended December 31:	2022	2021
Number of issued shares:		
Balance at the beginning of the year	1,200,247	1,208,577
Increase during the year	—	—
Decrease during the year (Note)	(9,240)	(8,330)
Balance at the end of the year	1,191,007	1,200,247

(Note)

The decreases in the years ended December 31, 2022 and 2021, were due to retirement of treasury shares.

Treasury shares included in the number of issued shares above are 1,838 thousand shares and 339 thousand shares at December 31, 2022 and 2021, respectively. Included in treasury shares are 1,492 thousand shares of Kubota Corporation held by the trust in connection with stock compensation plan at December 31, 2022. Shares held by affiliates (equivalent to equity interest of the Company), which totaled 337 thousand shares and 337 thousand shares at December 31, 2022 and 2021, respectively, are also included in treasury shares.

Share Premium and Retained Earnings

(1) Share premium

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

(2) Retained earnings

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

Dividends

(1) Dividends paid

Year ended December 31, 2022

Resolution	Class of shares	Dividends (millions of yen)	Dividends per common share	Record date	Effective date
Meeting of the Board of Directors on February 14, 2022	Common shares	¥ 25,205	¥ 21.00	December 31, 2021	March 22, 2022
Meeting of the Board of Directors on August 3, 2022	Common shares	¥ 26,294	¥ 22.00	June 30, 2022	September 1, 2022

(Note)

The total amount of dividends based on the resolution of the Meeting of the Board of Directors on August 3, 2022, includes dividends of ¥33 million for shares of Kubota Corporation held by the trust in connection with the stock compensation plan.

Year ended December 31, 2021

Resolution	Class of shares	Dividends (millions of yen)	Dividends per common share	Record date	Effective date
Meeting of the Board of Directors on February 15, 2021	Common shares	¥ 22,957	¥ 19.00	December 31, 2020	March 22, 2021
Meeting of the Board of Directors on August 3, 2021	Common shares	¥ 25,376	¥ 21.00	June 30, 2021	September 1, 2021

(2) Dividends with the record date in the year ended December 31, 2022, but the effective date in the following year

Resolution	Class of shares	Dividends (millions of yen)	Dividends per common share	Record date	Effective date
Meeting of the Board of Directors on February 14, 2023	Common shares	¥ 26,202	¥ 22.00	December 31, 2022	March 27, 2023

(Note)

The total amount of dividends includes dividends of ¥33 million for shares of Kubota Corporation held by the trust in connection with the stock compensation plan.

Other Components of Equity

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

(Unit: millions of yen)

	Remeasurement of defined benefit pension plans	Net change in fair value of financial assets measured at fair value through other comprehensive income	Exchange rate differences on translating foreign operations	Total
January 1, 2021	¥ —	¥ 35,882	¥ (54,044)	¥ (18,162)
Cumulative effect of changes in accounting policies	—	—	7	7
Total other comprehensive income, net of income tax	4,075	12,698	77,624	94,397
Transfer to retained earnings	(4,073)	(2,645)	—	(6,718)
Changes in ownership interests in subsidiaries	(2)	—	—	(2)
December 31, 2021	¥ —	¥ 45,935	¥ 23,587	¥ 69,522
Total other comprehensive income, net of income tax	(8,674)	8,133	130,016	129,475
Transfer to retained earnings	8,674	(19,431)	—	(10,757)
Changes in ownership interests in subsidiaries	—	—	146	146
December 31, 2022	¥ —	¥ 34,637	¥ 153,749	¥ 188,386

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

(Unit: millions of yen)

Years ended December 31:		2022			2021		
		Before tax	Tax effect	Net of tax	Before tax	Tax effect	Net of tax
Remeasurement of defined benefit pension plans:							
Increase (decrease) during the year		¥ (12,679)	¥ 4,037	¥ (8,642)	¥ 5,900	¥ (1,815)	¥ 4,085
		(12,679)	4,037	(8,642)	5,900	(1,815)	4,085
Net change in fair value of financial assets measured at fair value through other comprehensive income:							
Increase (decrease) during the year		3,208	4,900	8,108	15,547	(2,865)	12,682
		3,208	4,900	8,108	15,547	(2,865)	12,682
Exchange rate differences on translating foreign operations:							
Increase (decrease) during the year		144,638	(3,800)	140,838	80,037	(1,898)	78,139
Reclassification adjustment		(4,757)	—	(4,757)	—	—	—
		139,881	(3,800)	136,081	80,037	(1,898)	78,139
Total		¥ 130,410	¥ 5,137	¥ 135,547	¥ 101,484	¥ (6,578)	¥ 94,906

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

(Unit: millions of yen)

Years ended December 31:	2022	2021
Remeasurement of defined benefit pension plans	¥ 32	¥ 10
Net change in fair value of financial assets measured at fair value through other comprehensive income	(25)	(16)
Exchange rate differences on translating foreign operations	6,065	515
Total	¥ 6,072	¥ 509

22. REVENUE

Disaggregation of Revenue

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

Effective from the year ended December 31, 2022, in conformity with changes in the internal organization of the Company, the former product group of "Pipe- and infrastructure-related products" is reclassified into "Pipe system-related products" and "Materials and urban infrastructure-related products." The comparative information has been retrospectively adjusted and presented in accordance with the new classification.

(Unit: millions of yen)

Year ended December 31, 2022	Japan	North America	Europe	Asia outside Japan	Other areas	Total
Farm equipment and engines	¥ 261,021	¥ 707,211	¥ 223,894	¥ 447,726	¥ 66,559	¥ 1,706,411
Construction machinery	38,730	301,270	111,306	34,626	20,526	506,458
Farm & Industrial Machinery	299,751	1,008,481	335,200	482,352	87,085	2,212,869
Pipe system-related products	130,275	893	—	3,439	21	134,628
Materials and urban infrastructure-related products	39,829	10,162	2,092	7,485	9,390	68,958
Environment-related products	106,514	3,057	681	8,331	5,433	124,016
Water & Environment	276,618	14,112	2,773	19,225	14,844	327,602
Other	23,154	10	3	13	—	23,180
Revenue recognized from:						
Contracts with customers	599,523	1,022,603	337,976	501,620	101,929	2,563,651
Other sources of revenue	2,853	79,357	—	31,369	1,542	115,121
Total	¥ 602,376	¥ 1,101,960	¥ 337,976	¥ 532,989	¥ 103,471	¥ 2,678,772

(Unit: millions of yen)

Year ended December 31, 2021	Japan	North America	Europe	Asia outside Japan	Other areas	Total
Farm equipment and engines	¥ 267,514	¥ 535,439	¥ 186,283	¥ 339,337	¥ 55,934	¥ 1,384,507
Construction machinery	40,015	214,969	96,552	21,766	17,073	390,375
Farm & Industrial Machinery	307,529	750,408	282,835	361,103	73,007	1,774,882
Pipe system-related products	121,768	427	—	4,213	172	126,580
Materials and urban infrastructure-related products	35,873	7,327	1,705	8,232	4,867	58,004
Environment-related products	108,088	1,682	1,110	7,660	2,256	120,796
Water & Environment	265,729	9,436	2,815	20,105	7,295	305,380
Other	26,551	7	1	22	2	26,583
Revenue recognized from:						
Contracts with customers	599,809	759,851	285,651	381,230	80,304	2,106,845
Other sources of revenue	2,974	59,962	—	25,654	1,331	89,921
Total	¥ 602,783	¥ 819,813	¥ 285,651	¥ 406,884	¥ 81,635	¥ 2,196,766

Revenue recognized from other sources of revenue includes revenue from retail finance calculated using effective interest rate method and revenue from finance leases. The amounts of the above revenue were ¥81,272 million and ¥62,819 million for the year ended December 31, 2022 and 2021, respectively.

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

Performance obligations for each business are as follows:

(1) Farm & Industrial Machinery

In the Farm & Industrial Machinery business, the Company manufactures products such as farm equipment, agricultural-related products, engines, and construction machinery in Japan and various overseas regions and sells products to the corporate dealers and individual and corporate end users in these areas.

The Company has determined that performance obligations are satisfied when the products are delivered to

customers, and therefore, revenue from the sale of products is recognized at that time. The Company does not adjust the consideration promised for financial factors by applying the practical expedient method since the consideration is received primarily within one year from the time the performance obligation is satisfied. Revenue is measured at the consideration promised in contracts, net of discounts, rebates based on purchase volume, and other items. Amounts expected to be refunded to customers are recognized as refund liabilities.

There are no material contracts between the Company and customers pertaining to returns.

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

(2) Water & Environment

In the Water & Environment business, the Company manufactures and sells pipe system-related products, materials and urban infrastructure-related products and environment-related products. The Company also engages in construction contracts of public facilities such as environment-related facilities and water supply facilities. The main customers are national and local governments and other public offices in Japan, as well as corporations in Japan and various overseas regions.

The Company has determined that performance obligations are satisfied when the products are delivered to customers, and therefore, revenue from the sale of products is recognized at that time. For construction contracts, revenue is recognized over a construction period since a performance obligation is satisfied in accordance with the progress of construction. The Company uses the input method which is based on the costs incurred relative to the total expected costs of individual contracts, as the method to measure the extent of progress towards completion. The Company does not adjust the consideration promised for financial factors by applying the practical expedient method since the consideration is received primarily within one year from the time the performance obligation is satisfied. Revenue is measured at the consideration promised in contracts, net of discounts, rebates based on purchase volume, and other items. Amounts expected to be refunded to customers are recognized as refund liabilities.

There are no material contracts between the Company and customers pertaining to returns.

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

Contract Balances

Receivables are unconditional rights to consideration received in exchange for satisfaction of performance obligations. In addition to those presented as trade receivables in the consolidated statement of financial position, long-term trade account receivables are included in other financial assets (non-current).

Contract assets are the Company's rights to consideration received, excluding receivables, in exchange for satisfaction of a portion of the performance obligation that is measured based on the degree of completion as of the end of the reporting period for construction contracts in the Water & Environment business. Contract assets are reclassified into receivables at the time when the Company's right to consideration becomes an unconditional right to payment before its payment due date.

Contract liabilities include advances from customers.

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

(Unit: millions of yen)

	2022		2021	
Years ended December 31:	Contract assets	Contract liabilities	Contract assets	Contract liabilities
Increase by revenue recognition	¥ 70,020	¥ —	¥ 65,967	¥ —
Decrease by transfer to receivables	(66,709)	—	(71,870)	—
Increase by receipt of cash	—	100,073	—	112,855
Decrease by recognition of revenue	—	(94,818)	—	(105,936)

Revenue recognized during the reporting period, which were included in the beginning balance of contract liabilities, were ¥16,304 million and ¥7,481 million for the year ended December 31, 2022 and 2021, respectively.

Revenue recognized from performance obligations which had been satisfied or partially satisfied in the past were not material for the year ended December 31, 2022 and 2021.

Transaction Price Allocated to Remaining Performance Obligation

The aggregate amount of the transaction price allocated to the performance obligations that were unsatisfied or partially unsatisfied were ¥178,818 million and ¥146,832 million for the year ended December 31, 2022 and 2021, respectively. These performance obligations are primarily related to construction contracts in the Water & Environment business and are deemed to be recognized as revenue within approximately five years, in accordance with the progress of construction.

As the Company applies the practical expedient method, the above amounts do not include a transaction price for unsatisfied performance obligations with an initial expected contract period of one year or less.

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

23. OTHER INCOME AND OTHER EXPENSES

Other income and other expenses are composed of the following:

(Unit: millions of yen)				
Years ended December 31:		2022		2021
Other income:				
Foreign exchange gains	¥	12,016	¥	7,266
Royalty income		961		1,019
Profit from disposal of property, plant, and equipment and intangible assets		430		272
Insurance proceeds		409		915
Other		1,672		1,166
Total	¥	15,488	¥	10,638
Other expenses:				
Loss from disposal of property, plant, and equipment and intangible assets	¥	(3,637)	¥	(3,465)
Impairment loss of property, plant, and equipment and intangible assets		(2,354)		(1,488)
Other		(1,435)		(835)
Total	¥	(7,426)	¥	(5,788)

24. FINANCE INCOME AND FINANCE COSTS

Finance income and finance costs are composed of the following:

(Unit: millions of yen)				
Years ended December 31:		2022		2021
Finance income:				
Interest income:				
Financial assets measured at amortized cost	¥	5,166	¥	2,420
Dividend income:				
Equity financial assets measured at fair value through other comprehensive income		2,255		2,234
Other		9,561		4,687
Total	¥	16,982	¥	9,341
Finance costs:				
Interest expenses:				
Financial liabilities measured at amortized cost	¥	(1,602)	¥	(992)
Other		(395)		(1,997)
Total	¥	(1,997)	¥	(2,989)

The amount related to equity financial assets derecognized during the reporting period that is included in *Dividend income* is immaterial.

Finance income – Other above include gains from foreign exchange forward contracts entered into in connection with the acquisition of Escorts Ltd. of ¥6,221 million and ¥3,903 million for the year ended December 31, 2022 and 2021, respectively.

25. INCOME TAXES

Income Tax Expenses

Income tax expenses are composed of the following:

(Unit: millions of yen)				
Years ended December 31:	2022		2021	
Current tax expenses:				
Tax expenses recognized for the current taxable income	¥	81,138	¥	72,932
Subtotal		81,138		72,932
Deferred tax expenses:				
Temporary differences originated and reversed		(22,799)		(8,093)
Changes in realizability of deferred tax assets		810		(83)
Subtotal		(21,989)		(8,176)
Total	¥	59,149	¥	64,756

The Parent Company and domestic affiliates are subject to the Japanese corporate tax, an inhabitant tax, and business tax. The aggregated combined statutory income tax rates for the year ended December 31, 2022 and 2021, were both 30.6 %. Subsidiaries located in foreign countries are subject to local taxes.

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

Years ended December 31:	2022	2021
Japanese statutory tax rates applied to profit before income taxes	30.6%	30.6%
Increase (decrease) in taxes resulting from:		
Changes in realizability of deferred tax assets	(0.3)	0.0
Permanently nondeductible expenses	0.3	0.2
Tax effect on unremitted earnings of foreign affiliates	1.6	0.6
Extra tax deduction on expenses for research and development	(3.5)	(2.9)
Difference in statutory tax rates of foreign subsidiaries	(1.9)	(3.1)
Effect of a step acquisition of investments in affiliates	(1.3)	—
Other—net	(0.2)	0.4
Effective income tax rates applied to profit before income taxes	25.3%	25.8%

Deferred Tax Assets and Deferred Tax Liabilities

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

(Unit: millions of yen)				
December 31:	2022		2021	
Deferred tax assets:				
Allowance for doubtful accounts	¥	5,620	¥	5,219
Intercompany profits		27,069		19,384
Financial assets measured at fair value through other comprehensive income		2,722		2,850
Write-downs of inventories; property, plant, and equipment; and intangible assets		3,022		2,474
Depreciation and amortization		5,861		5,267
Accrued bonuses		5,479		4,547
Retirement benefit liabilities		10,073		5,059
Refund liabilities		6,466		4,290
Accrued expenses		8,386		3,048
Provisions for product warranties		15,993		11,140
Tax loss and credit carryforwards		822		1,382
Other temporary differences		17,983		23,235
Gross deferred tax assets		109,496		87,895
Deferred tax liabilities:				
Financial assets measured at fair value through other comprehensive income		13,139		19,706
Unremitted earnings of foreign affiliates		42,902		35,317
Other temporary differences		6,108		13,486
Gross deferred tax liabilities		62,149		68,509
Net deferred tax assets	¥	47,347	¥	19,386

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

(Unit: millions of yen)

Years ended December 31:		2022		2021
Balance as of the beginning of the year	¥	19,386	¥	15,553
Amounts recognized through profit or loss:				
Elimination of intercompany profit included in assets		7,685		8,225
Depreciation and amortization		(2,809)		(1,662)
Refund liabilities		2,176		(851)
Accrued expenses		5,338		65
Unremitted earnings of foreign affiliates		(7,585)		(3,626)
Provisions for product warranties		4,853		2,215
Other		12,963		4,585
Subtotal		22,621		8,951
Amounts recognized through other comprehensive income:				
Net change in fair value of financial assets measured at fair value through other comprehensive income		4,900		(2,865)
Re-measurement of defined benefit pension plans		4,037		(1,815)
Other		(3,800)		(1,899)
Subtotal		5,137		(6,579)
Other changes		203		1,461
Balance as of the end of the year	¥	47,347	¥	19,386

(Note)

The difference between *Amounts recognized through profit or loss* above and deferred tax expenses is due to fluctuation of exchange rate changes.

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

(Unit: millions of yen)

December 31:		2022		2021
Deductible temporary differences	¥	20,454	¥	3,313
Carryforward of unused tax losses		30,890		21,064
Carryforward of unused tax credit		826		—

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

(Unit: millions of yen)

December 31:		2022		2021
Within 1 year	¥	451	¥	594
Between 1 and 5 years		2,449		1,340
Later than 5 years		8,420		2,642
Indefinite years		19,570		16,488
Total	¥	30,890	¥	21,064

The aggregate amounts of temporary differences relating to investments in associates for which deferred tax liabilities are not recognized were ¥36,067 million and ¥20,884 million at December 31, 2022 and 2021, respectively. Deferred tax liabilities are not recognized since the Company may control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in foreseeable periods.

The Company reflects the effect of uncertainty in determining the related taxable profit, etc., if the Company concludes it is not probable that the taxation authority will accept an uncertain tax treatment. The amounts of such effect were not material at December 31, 2022 and 2021.

26. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

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

The Company adopted a restricted stock compensation plan (the "Plan") for the Company's Directors and Executive Officers. Among the new shares granted under the Plan, non-vested shares are classified as common shares as participating equity instruments. Each common share and participating equity instrument have the same right to profit attributable to owners of the parent.

Shares of Kubota Corporation held by the trust in connection with the stock compensation plan are deducted from the weighted-average number of common shares issued as treasury shares.

Years ended December 31:	2022	2021
(Unit: millions of yen)		
Profit attributable to owners of the parent	¥ 156,182	¥ 174,765
Profit attributable to participating equity instruments	—	5
Profit attributable to common shareholders	¥ 156,182	¥ 174,760
(Unit: thousands of shares)		
Weighted-average number of common shares issued	1,193,855	1,206,967
Weighted-average number of participating equity instruments	1	37
Weighted-average number of common shares outstanding	1,193,855	1,206,930

Earnings per share attributable to owners of the parent - Diluted for the year ended December 31, 2022 and 2021 are not stated as Kubota Corporation did not have potentially dilutive common shares that were outstanding.

27. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in Liabilities Arising from Financing Activities

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

(Unit: millions of yen)					
	Short-term borrowings	Long-term borrowings (Note)	Bonds	Lease liabilities	Total
January 1, 2021	¥ 145,733	¥ 728,703	¥ —	¥ 42,128	¥ 916,564
Changes arising from cash flows	96,282	52,954	—	(19,096)	130,140
Non-cash changes:	13,610	57,227	—	24,431	95,268
Exchange rate differences on foreign currencies	13,610	57,227	—	273	71,110
Other	—	—	—	24,158	24,158
December 31, 2021	¥ 255,625	¥ 838,884	¥ —	¥ 47,463	¥ 1,141,972
Changes arising from cash flows	55,973	179,557	149,614	(20,731)	364,413
Non-cash changes:	25,982	105,470	—	25,644	157,096
Exchange rate differences on foreign currencies	24,562	104,914	—	620	130,096
Other	1,420	556	—	25,024	27,000
December 31, 2022	¥ 337,580	¥ 1,123,911	¥ 149,614	¥ 52,376	¥ 1,663,481

(Note)

Borrowings with a term of more than three months are classified as long-term borrowings.

Non-cash Transaction

Non-cash transaction is composed of the following:

(Unit: millions of yen)			
Years ended December 31:	2022	2021	
Retirement of treasury shares	¥ 19,989	¥ 20,321	
Acquisition of assets by means of a lease	¥ 26,552	¥ 28,722	

Capital Management

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

The Company puts the highest priority on stable and sustainable enhancement of corporate value. In order to sustainably enhance corporate value, the basic capital policy of the Company is to fully utilize its capital to enhance profitability, to maintain sufficient level of capital to support future business expansion, and to further enhance shareholder returns.

Based on this basic policy, the Company determines the use of retained earnings, taking into consideration the maintenance of sound management and response to the future business environment, and the Company is committed to maintaining and improving stable dividends in terms of profit distribution.

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

Credit Risk

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

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

The carrying amount of these financial assets, net of impairment losses, stated in the consolidated statement of financial position is the Company's maximum exposures of credit risk on financial assets. These receivables arise from sales of the Company's products to a large number of dealers and to retail end users. The Company is not in a situation where the Company is significantly concentrated in transactions with specific customers.

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

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

(1) Measurement of credit risk on trade receivables, contract assets and long-term trade accounts receivables

Long-term trade accounts receivables are generated mainly from direct sales to individual end users in the farm equipment market in Japan.

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

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

(Unit: millions of yen)

	Financial assets for which an allowance for doubtful accounts is always measured at an amount equal to the lifetime expected credit losses	Credit-impaired financial assets	Total
December 31:			
2021	¥ 612,020	¥ 2,773	¥ 614,793
2022	¥ 817,184	¥ 4,443	¥ 821,627

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

(Unit: millions of yen)

	Financial assets for which an allowance for doubtful accounts is always measured at an amount equal to the lifetime expected credit losses	Credit-impaired financial assets	Total
January 1, 2021	¥ 2,269	¥ 1,192	¥ 3,461
Remeasurement	265	(38)	227
Collection	(9)	—	(9)
Write-off	(106)	(3)	(109)
Other	56	48	104
December 31, 2022	¥ 2,475	¥ 1,199	¥ 3,674
Remeasurement	788	269	1,057
Collection	(23)	—	(23)
Write-off	(103)	(286)	(389)
Other	240	1,347	1,587
December 31, 2022	¥ 3,377	¥ 2,529	¥ 5,906

(2) Measurement of credit risk on lease receivables

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

An allowance for doubtful accounts for lease receivables of which credit risk has not increased significantly since initial recognition is recognized for the 12-month expected credit losses, and an allowance for doubtful accounts of which credit risk has increased significantly since initial recognition is recognized for lifetime expected credit losses. Lease receivables are grouped primarily by past due days, and if the credit risk as of the end of the reporting period has not increased significantly since initial recognition, the 12-month expected credit loss is measured by taking into account the historical credit loss experience, current conditions and projected future economic conditions.

If the credit risk has increased significantly since initial recognition, the lifetime expected credit loss is measured by taking into account the historical credit loss experience, current conditions, projected future economic conditions, and the recoverable amount from repossession of products of the Company. The Company determines whether lease receivables are credit-impaired based on observable events, such as long-term past due and the debtor's bankruptcy, etc. The Company does not regard past due lease receivables as credit-impaired financial assets when the Company determines that the past due resulted from a temporary shortage in funds of the debtor, the risk of default is considered low, and the debtor has a strong capacity to meet its contractual cash flow obligation in the near term. The Company held ¥5,472 million and ¥4,467 million of its products as of December 31, 2022 and 2021, respectively, for credit enhancements on credit-impaired financial assets.

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

(Unit: millions of yen)

	Financial assets for which an allowance for doubtful accounts is measured at an amount equal to 12-month expected credit losses	Financial assets for which an allowance for doubtful accounts is measured at an amount equal to the lifetime expected credit losses		Credit-impaired financial assets		Total
		Financial assets on which credit risk increased significantly since initial recognition, but that are not credit-impaired				
December 31:						
2021	¥ 308,583	¥ 19,822		¥ 18,881	¥	347,286
2022	¥ 366,249	¥ 27,071		¥ 19,513	¥	412,833

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

(Unit: millions of yen)

	Within 30 days past due	From 31 to 60 days past due	From 61 to 90 days past due	Longer than 90 days past due	Total past due	Current	Total
December 31:							
2021	¥ 19,412	¥ 4,713	¥ 2,403	¥ 9,691	¥ 36,219	¥ 311,067	¥ 347,286
2022	¥ 25,074	¥ 5,627	¥ 2,552	¥ 10,456	¥ 43,709	¥ 369,124	¥ 412,833

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

(Unit: millions of yen)

	Financial assets for which an allowance for doubtful accounts is measured at an amount equal to 12-month expected credit losses	Financial assets for which an allowance for doubtful accounts is measured at an amount equal to the lifetime expected credit losses		Credit-impaired financial assets		Total
		Financial assets on which credit risk increased significantly since initial recognition, but that are not credit-impaired				
January 1, 2021	¥ 3,706	¥ 3,540		¥ 11,330	¥	18,576
Remeasurement	976	41		5,352		6,369
Collection	—	—		(1,179)		(1,179)
Write-off	(65)	—		(7,275)		(7,340)
Other	(87)	(301)		377		(11)
December 31, 2021	¥ 4,530	¥ 3,280		¥ 8,605	¥	16,415
Remeasurement	487	421		3,394		4,302
Collection	—	—		(631)		(631)
Write-off	(66)	(5)		(3,385)		(3,456)
Other	503	342		921		1,766
December 31, 2022	¥ 5,454	¥ 4,038		¥ 8,904	¥	18,396

(3) Measurement of credit risk of retail finance receivables

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

The Company measures an allowance for doubtful accounts for retail finance receivables at an amount equal to 12-month expected credit losses when the credit risk on these receivables has not significantly increased since initial recognition, and at an amount equal to life-time expected credit losses when the credit risk on these receivables has significantly increased since initial recognition. Retail finance receivables are grouped primarily by past due days, and when the credit risk at the end of the reporting period has not increased significantly since initial recognition, the 12-month expected credit loss is measured by taking into account the historical credit loss experience, current conditions, and projected future economic condition.

When the credit risk has increased significantly since initial recognition, the Company measures the life-time expected credit loss, taking into account the historical credit loss experience, current conditions, projected future economic conditions, and recoverable amounts from repossession of products sold. Determination of whether receivables qualify as credit-impaired financial asset is based primarily on past due information, but other objective

evidences such as debtor's bankruptcy are also considered. The Company's products held for credit enhancement on credit-impaired financial assets were ¥1,380 million and ¥1,379 million as of December 31, 2022 and 2021, respectively.

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

(Unit: millions of yen)

	Financial assets for which an allowance for doubtful accounts is measured at an amount equal to 12-month expected credit losses	Financial assets for which an allowance for doubtful accounts is measured at an amount equal to the lifetime expected credit losses		Credit-impaired financial assets	Total
		Financial assets on which credit risk increased significantly since initial recognition, but that are not credit-impaired			
December 31:					
2021	¥ 1,079,366	¥ 2,646		¥ 1,726	¥ 1,083,738
2022	¥ 1,289,663	¥ 3,260		¥ 1,827	¥ 1,294,750

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

(Unit: millions of yen)

	Within 30 days past due	From 31 to 60 days past due	From 61 to 90 days past due	Longer than 90 days past due	Total past due	Current	Total
December 31:							
2021	¥ 49,848	¥ 5,511	¥ 1,512	¥ 1,567	¥ 58,438	¥ 1,025,300	¥1,083,738
2022	¥ 65,974	¥ 5,979	¥ 1,951	¥ 1,451	¥ 75,355	¥ 1,219,395	¥1,294,750

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

(Unit: millions of yen)

	Financial assets for which an allowance for doubtful accounts is measured at an amount equal to 12-month expected credit losses	Financial assets for which an allowance for doubtful accounts is measured at an amount equal to the lifetime expected credit losses		Credit-impaired financial assets	Total
		Financial assets on which credit risk increased significantly since initial recognition, but that are not credit-impaired			
January 1, 2021	¥ 2,809	¥ 691		¥ 266	¥ 3,766
Remeasurement	(14)		99	1,619	1,704
Write-off	(58)		(8)	(1,759)	(1,825)
Other	227		78	160	465
December 31, 2021	¥ 2,964	¥ 860		¥ 286	¥ 4,110
Remeasurement	(35)		(5)	3,170	3,130
Write-off	(39)		(153)	(3,251)	(3,443)
Other	427		291	158	876
December 31, 2022	¥ 3,317	¥ 993		¥ 363	¥ 4,673

Liquidity Risk

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

The following table presents financial liabilities by due date:

(Unit: millions of yen)

	Carrying amount	Contractual cash flows	Within 1 year	From 1 to 5 years	More than 5 years
December 31, 2022:					
Trade payables	¥ 454,780	¥ 454,780	¥ 454,780	¥ —	¥ —
Other financial liabilities	144,241	146,797	102,093	41,380	3,324
Bonds and borrowings	1,611,105	1,657,762	660,316	905,930	91,516
Derivative liabilities	2,990	2,990	1,699	1,291	—

(Unit: millions of yen)

December 31, 2021:	Carrying amount	Contractual cash flows	Within 1 year	From 1 to 5 years	More than 5 years
Trade payables	¥ 392,331	¥ 392,331	¥ 392,331	¥ —	¥ —
Other financial liabilities	124,818	125,291	92,164	29,831	3,296
Bonds and borrowings	1,094,509	1,113,345	514,210	599,135	—
Derivative liabilities	5,297	5,297	4,716	581	—

Market Risk

(1) Foreign currency exchange rate risks

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

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

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

(Unit: millions of yen)

December 31:	2022	2021
US dollar	¥ (655)	¥ (693)
Euro	(227)	(382)
Thai baht	(44)	(111)
Chinese yuan	(126)	(26)

(2) Interest rate risk

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

(3) Market price volatility risk management

The Company holds equity and debt financial assets, mainly cross-holdings, which are exposed to market price volatility risk. Each individual share of cross-shareholdings is examined annually at the Board of Directors in order to verify appropriateness of holding these shares, taking into consideration the purpose of holding these shares, benefits associated, market price volatility risk, and other factors. If it is determined that holding the share is not appropriate, the Company gradually reduces the number of policy stock holdings, taking into consideration market conditions and other factors.

Derivative and Hedge Accounting

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

Fair Value of Financial Instruments

(1) Financial instruments measured at fair value

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

(Unit: millions of yen)

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at fair value through other comprehensive income:				
Equity financial assets	¥ 65,593	¥ —	¥ 3,002	¥ 68,595
Financial assets measured at fair value through profit or loss:				
Debt financial assets	27,855	—	7,660	35,515
Derivatives:				
Foreign exchange contracts	—	9,022	—	9,022
Interest swap contracts	—	92	—	92
Cross-currency interest rate swap contracts	—	1,838	—	1,838
Total	¥ 93,448	¥ 10,952	¥ 10,662	¥ 115,062
Financial liabilities:				
Financial liabilities measured at fair value through profit or loss:				
Derivatives:				
Foreign exchange contracts	¥ —	¥ 736	¥ —	¥ 736
Interest swap contracts	—	108	—	108
Cross-currency interest rate swap contracts	—	2,146	—	¥ 2,146
Total	¥ —	¥ 2,990	¥ —	¥ 2,990

(Unit: millions of yen)

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at fair value through other comprehensive income:				
Debt financial assets	¥ 686	¥ —	¥ —	¥ 686
Equity financial assets	101,555	—	4,773	106,328
Financial assets measured at fair value through profit or loss:				
Debt financial assets	—	—	5,245	5,245
Derivatives:				
Foreign exchange contracts	—	4,114	—	4,114
Interest swap contracts	—	10	—	10
Cross-currency interest rate swap contracts	—	846	—	846
Total	¥ 102,241	¥ 4,970	¥ 10,018	¥ 117,229
Financial liabilities:				
Financial liabilities measured at fair value through profit or loss:				
Derivatives:				
Foreign exchange contracts	¥ —	¥ 2,598	¥ —	¥ 2,598
Stock forward contracts	—	1,325	—	1,325
Interest swap contracts	—	809	—	809
Cross-currency interest rate swap contracts	—	565	—	565
Total	¥ —	¥ 5,297	¥ —	¥ 5,297

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

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

Equity financial assets and debt financial assets classified in Level 3 are unlisted equity securities and measured at fair value using methods such as the comparable company comparison method with the earnings before interest and tax

("EBIT") ratio (from 1.7 to 15.1), etc. As the EBIT ratio increases (decreases), the fair values on those equity financial assets increase (decrease).

Transfers between levels are recognized at the end of the reporting periods when such transfers occur. There were no significant transfers of financial instruments between the levels for the year ended December 31, 2022.

In addition, the Parent Company has acquired additional shares of Escorts Ltd. (currently, Escorts Kubota Ltd.) during three months ended June 30, 2022, and EKL became a subsidiary of the Company. The ¥36,264 million equity interest in EKL as of the fiscal year ended December 31, 2021, is included in equity financial assets classified as Level 1 of financial assets measured at fair value through other comprehensive income.

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

(Unit: millions of yen)				
Years ended December 31:		2022		2021
Balance as of the beginning of the year	¥	10,018	¥	5,782
Gains or losses				
Profit or loss (Note 1)		862		426
Other comprehensive income (Note 2)		(1,811)		1,206
Purchases		1,682		2,621
Sales		(89)		(17)
Balance as of the end of the year	¥	10,662	¥	10,018

(Notes)

1. Gains or losses are recognized as *finance income* or *finance costs* in the Consolidated Statement of Profit or Loss. Of the total gain or loss, the amount related to financial instruments held at December 31, 2022 was ¥966 million.
2. Gains or losses are recognized as *Net change in fair value of financial assets measured at fair value through other comprehensive income* in the consolidated statement of comprehensive income.

(2) Financial instruments measured at amortized cost

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

(Unit: millions of yen)					
December 31:	2022		2021		
	Carrying amount	Fair value	Carrying amount	Fair value	
Finance receivables:					
Retail finance receivables	¥ 1,290,077	¥ 1,198,251	¥ 1,079,628	¥ 1,071,340	
Finance lease receivables	394,437	449,136	330,725	387,669	
Long-term trade accounts receivables	65,608	69,441	67,429	71,853	
Debt financial assets	44,132	42,892	—	—	
Written put option liabilities over noncontrolling interests	3,238	3,238	—	—	
Bonds and borrowings	1,611,105	1,556,033	1,094,509	1,087,720	

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

The fair value of debt financial assets is measured using quoted prices for identical assets in active markets and classified as Level 1.

The fair value of written put option liabilities over noncontrolling interests is the present value of estimated future cash flows discounted using a discount rate that takes into account inherent risks and classified as Level 3.

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

Offsetting Financial Assets and Liabilities

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

29. MAJOR SUBSIDIARIES

Major Subsidiaries

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

Subsidiary with Material Noncontrolling Interests

The following is the condensed financial statements of subsidiaries which the Company recognizes significant noncontrolling interests:

Escorts Kubota Ltd. (India)

(Unit: millions of yen)

December 31:	2022	2021
Shareholding ratio of noncontrolling interests	55.2%	—

(Unit: millions of yen)

December 31:	2022	2021
Current assets	¥ 75,400	¥ —
Noncurrent assets	216,256	—
Current liabilities	25,607	—
Noncurrent liabilities	2,221	—
Equity	263,828	—
Cumulative amount of noncontrolling interests	69,231	—

(Unit: millions of yen)

Years ended December 31:	2022	2021
Revenue	¥ 104,076	¥ —
Profit for the year	7,046	—
Comprehensive income for the year	7,088	—
Profit attributable to noncontrolling interests	4,013	—
Dividends paid to noncontrolling interests	708	—

(Notes)

Escorts Kubota Ltd. is a consolidated subsidiary acquired through a business combination, and the condensed financial information reflects the effect of the acquisition method of accounting. Noncontrolling interests are recognized at the proportion of the fair value of the identifiable assets and liabilities of the acquiree. Furthermore, above information is based on provisional estimates since the allocation of acquisition cost has not been completed as of December 31, 2022.

(Unit: millions of yen)

December 31:	2022	2021
Shareholding ratio of noncontrolling interests	40.0%	40.0%

(Unit: millions of yen)

December 31:	2022	2021
Current assets	¥ 138,231	¥ 126,870
Noncurrent assets	65,912	63,942
Current liabilities	43,788	50,734
Noncurrent liabilities	3,171	3,007
Equity	157,184	137,071
Cumulative amount of noncontrolling interests	62,239	53,854

(Unit: millions of yen)

Years ended December 31:	2022	2021
Revenue	¥ 218,052	¥ 211,852
Profit for the year	21,053	21,470
Comprehensive income for the year	21,053	21,470
Profit attributable to noncontrolling interests	8,745	8,539
Dividends paid to noncontrolling interests	5,868	6,478

30. RELATED-PARTY TRANSACTIONS

The aggregate compensation paid by the Parent Company for the year ended December 31, 2022, to the Directors, including the Outside Directors, was as follows:

(Unit: millions of yen)

Years ended December 31:	2022	2021
Basic remunerations and bonuses	¥ 679	¥ 699
Share-based payments	168	103
Total	¥ 847	¥ 802

31. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments

Commitments for acquisition of property, plant, and equipment were ¥74,003 million and ¥66,764 million at December 31, 2022 and 2021, respectively. Commitments for acquisition of intangible assets were ¥1,575 million and ¥837 million at December 31, 2022 and 2021, respectively.

Commitments at December 31, 2022, were primarily associated with the investments for BCP, while commitments at December 31, 2021, were primarily associated with the establishment of new R&D bases.

Guarantees

The Company is contingently liable as guarantor of the indebtedness of distributors, including associates and customers, for their borrowings from financial institutions. These guarantees obligate the Company to make payments in the event of default by the distributor, including associates and customers. The terms of these guarantees are from one to four years. The maximum potential amounts of undiscounted future payments of these financial guarantees were ¥4,263 million and ¥3,539 million at December 31, 2022 and 2021, respectively. However, the probability of incurrence of a loss is remote.

Legal Proceedings

Since May 2007, the Company has been subject to 59 asbestos-related lawsuits in Japan, which were filed against the Company or defendant parties consisting of the Japanese government and asbestos-related companies, including the Company. With regard to the six lawsuits consolidating 18 cases, the Supreme Court has concluded proceedings and ruled that the government and a part of asbestos using companies were liable for compensation. However, all claims against the Company were rejected.

Other 41 lawsuits are still ongoing, and the total claims for compensation of all lawsuits aggregate to ¥22,494 million, which relate to 641 construction workers who suffered from asbestos-related diseases. Of these ongoing lawsuits, three first instance judgements have been rendered in eight lawsuits, and the Company was ordered to pay compensation damages of ¥2 million in one lawsuit and other two lawsuits were decided in favor of the Company. These three cases are being heard on the second instance. The court in the second instance rendered a judgement to support the opinion of the first instance for one of the two lawsuits that were decided in favor of the Company. This lawsuit has been appealed to a higher court.

The Company continues to review the status of lawsuits, including consultation with a third-party legal counsel regarding the progress of lawsuits and the likely final outcome. However, the Company believes that it is currently unable to predict the ultimate outcome of lawsuits.

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

Matters Related to the Health Hazards of Asbestos

The Company's plant in Amagasaki, Hyogo Prefecture, Japan, previously produced asbestos-related products. The Company decided to make voluntary consolation payments in June 2005 and established a relief payment program in April 2006 as a voluntary consolation payment to patients of asbestos-related diseases near the plant. With regard to the current and former employees who suffered and are suffering from asbestos-related diseases, the Company provides compensation which is not required by law, but is made in accordance with the Company's internal policies.

In an effort to estimate future asbestos-related expenditures, the Company has considered all available data, including a time series data of historical claims and payments, the incidence rate of asbestos-related disease, and other public information related to asbestos-related disease. However, since the health hazards of asbestos tend to have a longer incubation period, reliable statistics to estimate the incidence rate of asbestos-related disease are not available to the Company. Furthermore, there are no cases where final conclusions are made to the cause and the incidence rate of asbestos-related health hazard at other asbestos-related companies. Hence, the Company believes there is no information to determine the range of the final possible outcome in the future. For these reasons, the Company believes it is not possible to reliably estimate the amount of its ultimate liability, and the Company does not accrue on this contingency.

The Law for the Relief of Patients Suffering from Asbestos-Related Diseases (the "New Asbestos Law") was established by the Japanese government in March 2006. The purpose of this law is to provide prompt relief to persons who sustain asbestos-related diseases but are not relieved by compensation for accidents under worker's compensation insurance. Contributions under this law are made by the Japanese government, local authorities and business entities. Contributions by business entities commenced from the year ended March 31, 2008, and these include special contributions by business entities which operated a business closely to asbestos.

The Company accrues asbestos-related expenses when the Company receives claims on voluntary consolation payment, relief payment, compensation for current and former employees, and the special contribution in accordance with the New Asbestos Law. The accrued balances for asbestos-related expenses are ¥138 million and ¥125 million at December 31, 2022 and 2021, respectively. The asbestos-related expenses recognized for the twelve months ended December 31, 2022 and 2021, were ¥379 million and ¥626 million, respectively.

Other Contingent Liabilities

The Company has various outstanding tax matters with tax authorities, primarily in India. The outstanding matters mostly relate to interpretation and application of law. The Company believes that, due to the existence of multiple legal issues and large number of parties involved, it is currently unable to predict the ultimate outcome of matters.

32. SUBSEQUENT EVENTS

Issuance of bonds

On February 14, 2023, the Board of Directors of the Parent Company resolved to issue straight bonds. The total issue amount of the bonds will not exceed ¥150 billion and will be publicly offered in Japan.

33. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved on March 24, 2023, by Yuichi Kitao, President and Representative Director of the Parent Company, and Masato Yoshikawa, Representative Director and Executive Vice President, General Manager of Planning and Control Headquarters of the Parent Company.

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

NOTES TO READERS:

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

March 24, 2023

To the Board of Directors of
Kubota Corporation:

Deloitte Touche Tohmatsu LLC
Osaka office

Designated Engagement Partner,
Certified Public Accountant:

Hiroaki Sakai

Designated Engagement Partner,
Certified Public Accountant:

Takeshi Io

Designated Engagement Partner,
Certified Public Accountant:

Akira Kimotsuki

Audit of Financial Statements

Opinion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of Kubota Corporation and its consolidated subsidiaries (the "Group") included in the Financial Section, namely, the consolidated statement of financial position as of December 31, 2022, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the fiscal year from January 1, 2022 to December 31, 2022, and a summary of significant accounting policies and other explanatory information, and the consolidated supplementary schedules.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards pursuant to the provisions of Article 93 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements.

Basis for Opinion

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

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Assessment of the allowance for doubtful accounts on finance receivables at the finance subsidiaries	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
As described in Note 8 to the consolidated financial statements, the Group recorded ¥23,069 million of the allowance for doubtful accounts related to retail finance receivables of ¥1,294,750 million and finance lease receivables of ¥412,833 million (collectively, finance receivables) on the consolidated statement of financial position as of December 31, 2022. In addition, as described in Note 28 to the consolidated financial statements, the balance of financial receivables and allowance for doubtful accounts in the consolidated statement of financial position mainly consists of the balances of finance subsidiaries in North America and Thailand. The allowance for doubtful accounts for expected credit losses on finance receivables is measured based on basic information, such as the status of collection at the end of the reporting period and historical credit loss experience, estimates in solvency of debtors and collateral value, and assumptions for forward-looking information of the economic conditions, after grouping finance receivables by the past due days and determining whether there is a significant increase in credit risk since initial recognition. If the management estimates and assumptions used do not appropriately reflect the credit risk of the debtor, there is a risk that the allowance for doubtful accounts is not properly determined. In addition, the audit effort included the involvement of professionals with specialized skills and knowledge since the evaluation of assumptions for future economic conditions involves a high degree of auditor's judgement. As such, we identified management's assumptions used in estimating the allowance for doubtful accounts on finance receivables at the finance subsidiaries as a key audit matter.	With the assistance of auditors of finance subsidiaries in North America and Thailand, we performed the following audit procedures to evaluate the allowance for doubtful accounts on finance receivables, among others: (1) Internal control testing We evaluated the design and operating effectiveness of certain internal controls related to the allowance for doubtful accounts on finance receivables, which included the controls over the following: • Basic information used to estimate expected credit losses • Determining key assumptions used to estimate expected credit losses (2) Assessment of the reasonableness of estimates in allowance for doubtful accounts on finance receivables • We evaluated the appropriateness of finance receivables grouping and tested the accuracy and completeness of the basic information used to estimate expected credit losses. • We evaluated the grouping of finance receivables with shared credit risk characteristics. • We evaluated management's conclusion on whether there is a significant increase in credit risk since initial recognition. • We performed a trend analysis of the outstanding finance receivables balance to the allowance for doubtful accounts by each group. • We evaluated the reasonableness of estimates related to finance receivable amount and loss given default at the time of default. • With the assistance of component auditor's credit specialists, we evaluated the reasonableness of the assumptions of future economic conditions used by management.

Other Information

Management is responsible for the other information. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Annual Securities Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with International Financial Reporting Standards, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Audit of Internal Control

Opinion

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of Kubota Corporation as of December 31, 2022.

In our opinion, management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of Kubota Corporation as of December 31, 2022, is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

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

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

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

Auditor's Responsibilities for the Internal Control Audit

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

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

- Perform audit procedures to obtain audit evidence regarding the results of the assessment of internal control over financial reporting in management's report on internal control. The procedures selected depend on the auditor's judgment, including the significance of effects on reliability of financial reporting.
- Examine representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.
- Obtain sufficient appropriate audit evidence regarding the results of the assessment of internal control over financial reporting. We are responsible for the direction, supervision and performance of the internal control audit. We remain solely responsible for our audit opinion.

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

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

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

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

Notes to the Readers of Independent Auditor's Report

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

COVER

[Document Filed]	Confirmation Letter
[Applicable Law]	Article 24-4-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed to]	Director, Kanto Local Finance Bureau
[Filing Date]	March 24, 2023
[Company Name]	Kabushiki Kaisha Kubota
[Company Name in English]	Kubota Corporation
[Title and Name of Representative]	Yuichi Kitao, President and Representative Director
[Title and Name of CFO]	Masato Yoshikawa, Representative Director and Executive Vice President, General Manager of Planning and Control Headquarters
[Address of Head Office]	2-47, Shikitsuhigashi 1-chome, Naniwa-ku, Osaka, JAPAN
[Place Where Available for Public Inspection]	Kubota Corporation, Tokyo Head Office (1-3, Kyobashi 2-chome, Chuo-ku, Tokyo, JAPAN) Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabuto-cho, Chuo-ku, Tokyo, JAPAN)

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

Yuichi Kitao, President and Representative Director, and Masato Yoshikawa, Representative Director and Executive Vice President, General Manager of Planning and Control Headquarters, confirmed that statements contained in the Annual Securities Report for the 133rd fiscal year (from January 1, 2022 to December 31, 2022) were adequate under the Financial Instruments and Exchange Act of Japan.

2. Special Notes

Not applicable.

COVER

[Document Filed]	Internal Control Report
[Applicable Law]	Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed to]	Director, Kanto Local Finance Bureau
[Filing Date]	March 24, 2023
[Company Name]	Kabushiki Kaisha Kubota
[Company Name in English]	Kubota Corporation
[Title and Name of Representative]	Yuichi Kitao, President and Representative Director
[Title and Name of CFO]	Masato Yoshikawa, Representative Director and Executive Vice President, General Manager of Planning and Control Headquarters
[Address of Head Office]	2-47, Shikitsuhigashi 1-chome, Naniwa-ku, Osaka, JAPAN
[Place Where Available for Public Inspection]	Kubota Corporation, Tokyo Head Office (1-3, Kyobashi 2-chome, Chuo-ku, Tokyo, JAPAN) Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabuto-cho, Chuo-ku, Tokyo, JAPAN)

(TRANSLATION)

Management's Report on Internal Control over Financial Reporting

NOTES TO READERS

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

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

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

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

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

The assessment of internal control over financial reporting was performed as of December 31, 2022, which is the end of this fiscal year. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

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

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

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

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

3. Matters Related to the Results of the Assessment

As a result of the preceding assessment, we concluded that our internal control over financial reporting was effective as of December 31, 2022.

4. Supplementary Matters

Not applicable.

5. Special Information

Not applicable.