

[Translation]

# Annual Securities Report

(The 132<sup>nd</sup> Business Term)

From January 1, 2021 to December 31, 2021

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

**Kubota Corporation**

## TABLE OF CONTENTS

Cover

1. Overview of the Company .....	1
1. Key Financial Data .....	1
2. History.....	3
3. Description of Business .....	4
4. Information on Affiliates .....	7
5. Employees .....	10
2. Business Overview .....	11
1. Business Issues to Address .....	11
2. Risk Factors .....	13
3. Analysis of Consolidated Financial Position, Results of Operations, and Cash Flows by Management	16
4. Material Contracts .....	19
5. Research and Development (R&D) .....	20
3. Property, Plant, and Equipment .....	23
1. Summary of Capital Investment .....	23
2. Major Property, Plant, and Equipment .....	24
3. Plans for Capital Investment and Disposals of Property, Plant, and Equipment .....	26
4. Information on Kubota Corporation .....	27
1. Information on the Shares of Kubota Corporation .....	27
2. Information on Acquisition of Treasury Shares.....	32
3. Dividend Policy .....	33
4. Corporate Governance.....	33
5. Stock-Related Administration of Kubota Corporation .....	62
6. Reference Information on Kubota Corporation .....	63
1. Information on Parent Company of Kubota Corporation .....	63
2. Other Reference Information .....	63
Consolidated Financial Statements .....	F-1
Independent Auditor's Report (filed under the Financial Instruments and Exchange Act of Japan) (Translation)	A-1
Confirmation Letter (Translation)	A-6
Management's Report on Internal Control over Financial Reporting (Translation)	A-8

## COVER

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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

Business term		IFRS				
		132 <sup>nd</sup> Business term	131 <sup>st</sup> Business term	130 <sup>th</sup> Business term	129 <sup>th</sup> Business term	128 <sup>th</sup> Business term
Fiscal year		December 2021	December 2020	December 2019	December 2018	December 2017
Revenue	(millions of yen)	2,196,766	1,853,234	1,920,042	1,850,316	1,751,038
Profit before income taxes	(millions of yen)	252,559	185,899	209,022	197,230	214,007
Profit attributable to owners of the parent	(millions of yen)	175,637	128,524	149,061	138,595	134,160
Comprehensive income attributable to owners of the parent	(millions of yen)	270,034	96,656	167,048	87,544	148,460
Equity attributable to owners of the parent	(millions of yen)	1,677,957	1,476,039	1,442,837	1,339,850	1,291,094
Total equity	(millions of yen)	1,784,973	1,574,185	1,537,214	1,426,433	1,375,568
Total assets	(millions of yen)	3,773,510	3,189,317	3,139,318	2,895,655	2,832,364
Equity attributable to owners of the parent per share	(yen)	1,398.41	1,221.95	1,182.72	1,087.44	1,046.55
Earnings per share attributable to owners of the parent:						
Basic	(yen)	145.52	105.85	121.59	112.44	108.45
Diluted	(yen)	—	—	—	112.44	—
Ratio of equity attributable to owners of the parent to total assets	(%)	44.5	46.3	46.0	46.3	45.6
Ratio of profit attributable to owners of the parent to equity attributable to owners of the parent	(%)	11.1	8.8	10.7	10.5	10.8
Price earnings ratio	(times)	17.55	21.27	14.20	13.89	20.37
Net cash provided by operating activities	(millions of yen)	92,511	142,919	82,410	89,148	137,185
Net cash used in investing activities	(millions of yen)	(127,370)	(47,133)	(91,470)	(58,756)	(45,984)
Net cash provided (used in) financing activities	(millions of yen)	60,586	(68,354)	(21,515)	(27,816)	(32,575)
Cash and cash equivalents, at the end of the year	(millions of yen)	258,639	222,919	199,665	229,123	230,720
Number of employees (Average number of part-time employees)	(number of persons)	43,293 (3,356)	41,605 (2,699)	41,027 (2,880)	40,202 (3,004)	39,410 (3,031)

### (Notes)

- Beginning with the 129<sup>th</sup> business term, the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).
- Revenues do not include consumption taxes.
- Amounts less than presentation units are rounded.
- Earnings per share attributable to owners of the parent—Diluted* for the years ended December 31, 2017, 2019, 2020 and 2021 are not stated because Kubota Corporation did not have potentially dilutive common shares that were outstanding during those years.

		U.S. GAAP
		128 <sup>th</sup>
Business term		Business term
Fiscal year		December 2017
Revenue	(millions of yen)	1,751,535
Income before income taxes and equity in net income of affiliated companies	(millions of yen)	212,901
Net income attributable to Kubota Corporation	(millions of yen)	136,445
Comprehensive income	(millions of yen)	166,441
Kubota Corporation shareholders' equity	(millions of yen)	1,301,345
Total equity	(millions of yen)	1,385,435
Total assets	(millions of yen)	2,853,930
Kubota Corporation shareholders' equity per common share	(yen)	1,054.86
Net income attributable to Kubota Corporation per common share:		
Basic	(yen)	110.30
Diluted	(yen)	—
Kubota Corporation shareholders' equity ratio	(%)	45.6
Return on equity	(%)	10.9
Price earnings ratio	(times)	20.03
Net cash provided by operating activities	(millions of yen)	222,288
Net cash used in investing activities	(millions of yen)	(130,339)
Net cash used in financing activities	(millions of yen)	(32,575)
Cash and cash equivalents, end of period	(millions of yen)	230,720
Number of employees (Average number of part-time employees)	(number of persons)	39,410 (3,031)

(Notes)

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

## 2. History

Month/Year	History
Feb. 1890	Founder Gonshiro Kubota established Kubota Tekko-jo in Okuraato-cho, Minami-ku, Osaka, JAPAN and started manufacturing and sales of various cast metal products.
Jul. 1893	Started production of cast iron pipes for water supply.
Feb. 1922	Started production of compact engines for agro-industrial purposes.
Feb. 1927	Acquired Sumidagawa Seitetsuzuyo K.K. and expanded the cast iron pipes business.
Dec. 1930	Established K.K. Kubota Tekko-jo and K.K. Kubota Tekko-jo Machinery Department.
Mar. 1937	Consolidated K.K. Kubota Tekko-jo Machinery Department with K.K. Kubota Tekko-jo.
Nov. 1937	Established Sakai Plant and started mass-production of engines for agro-industrial purposes.
Oct. 1940	Established Mukogawa Plant and expanded the industrial machinery business, and started production of casting of centrifugal cast-iron pipes the following October.
May. 1949	Listed on the Tokyo Stock Exchange and Osaka Securities Exchange (integrated with Tokyo Stock Exchange in 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.
Dec. 2009	Established Kubota Saudi Arabia Company, LLC as a hub for the steel casting business in Saudi Arabia.
Mar. 2012	Acquired ownership interest in Kverneland ASA (currently Kverneland AS), a manufacturer of upland farming implements in Norway, and made it a consolidated subsidiary.
Dec. 2013	Established Kubota Farm Machinery Europe S.A.S. in France as a manufacturing base for upland farming tractors.
Jul. 2016	Acquired ownership interest in Great Plains Manufacturing, Inc., a manufacturer of implements in the United States, and made it a consolidated subsidiary.

### 3. Description of Business

The Company is comprised of Kubota Corporation and 197 affiliates (as of December 31, 2021, 183 subsidiaries and 14 equity method affiliates) and engages in various fields of business and industry by providing products and services which are categorized into three segments: Farm & Industrial Machinery, Water & Environment, and Other.

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

Beginning with the current consolidated fiscal year, in conformity with the change in the business structure of the Company, the amounts related to "Financial services business" are reported in the "Farm & Industrial Machinery" segment, whereas they were formerly reported in the "Other" segment.

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

#### (1) Farm & Industrial Machinery

Farm & Industrial Machinery mainly engages in manufacturing and sales of products 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 farming, construction, 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 its 18 subsidiaries
- Kubota Farm Machinery Europe S.A.S.
- Kubota Baumaschinen GmbH
- Kverneland AS and its 34 affiliates
- Kubota Agricultural Machinery (SUZHOU) Co., Ltd.
- SIAM KUBOTA Corporation Co., Ltd.
- KUBOTA Engine (Thailand) Co., Ltd.

###### [Sales and Other Services]

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

[Financial Leasing]

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

(2) Water & Environment

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

1) Main Products

Pipe- and Infrastructure-related products	Ductile iron pipes, Plastic pipes, Valves for public sector, Single stack drain fittings, Design and construction of construction works, Reformer and cracking tubes, Hearth rolls, Rolls for steel mills, 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), Bathtubs, and Valves for private sector

2) Main Affiliates

[Manufacturing and Sales]

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

[Maintenance and Repair]

- (Domestic) Kubota Environmental Service Co., Ltd.

[Design and Construction]

- (Domestic) Kubota Construction Co., Ltd.

(3) Other

Other mainly engages in offering a variety of other services.

1) Main Products

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

[Manufacturing and Sales]

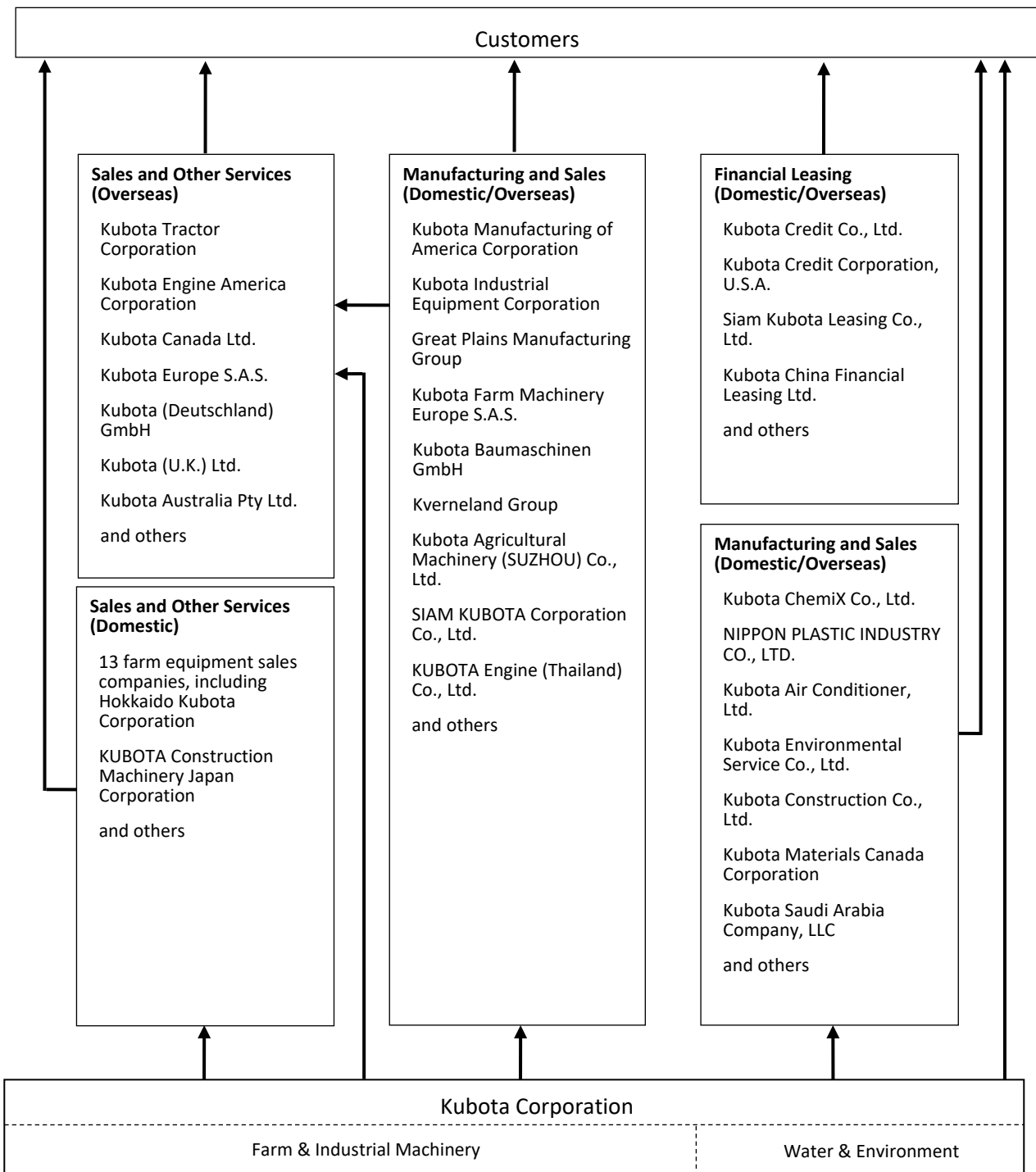
- (Domestic) KMEW Co., Ltd.

[Other Services]

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



(Business distribution diagram)



#### 4. Information on Affiliates

(As of December 31, 2021)

Company name (Subsidiaries)	Location	Common stock (millions of yen)	Principal business activities	Ownership	Relationship
				percentage of voting rights (%)	Business transaction, etc.
6 domestic farm equipment sales companies, including Hokkaido Kubota Corporation	Nishi-ku, Sapporo, JAPAN, etc.	100	Sales of farm equipment, etc.	84.3	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, sales of Kubota Corporation's products, and interlocking Directors
Kubota Credit Co., Ltd.	Naniwa-ku, Osaka, JAPAN	500	Retail financing to purchasers of farm equipment and related products	(22.9) 77.8	Loans from Kubota Corporation, lease of facilities from Kubota Corporation, credit guarantees, and interlocking Directors
KUBOTA Seiki Co., Ltd.	Mihara-ku, Sakai, JAPAN	480	Manufacturing and sales of hydraulic equipment	100.0	Material supplies to Kubota Corporation
Kubota Machinery Trading Co., Ltd.	Naniwa-ku, Osaka, JAPAN	30	Export and import of repair parts related to farm equipment, engines, and construction machinery	100.0	Lease of facilities from Kubota Corporation and material supplies to Kubota Corporation
Kubota Engine Japan Corporation	Naniwa-ku, Osaka, JAPAN	310	Sales, service, and engineering of industrial engines	100.0	Lease of facilities from Kubota Corporation and sales of Kubota Corporation's products
Kubota North America Corporation (Note 3)	Delaware, USA	(thousands of USD) 597,100	Administration of subsidiaries in North America	100.0	Interlocking Directors
Kubota Tractor Corporation (Note 3) (Note 4)	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 its 18 subsidiaries	Kansas, USA	(thousands of USD) 90	Manufacturing and sales of implements	(100.0) 100.0	Interlocking Directors
Kubota Canada Ltd.	Ontario, CANADA	(thousands of CAD) 6,000	Sales of tractors, outdoor power equipment, construction machinery, and implements	100.0	Sales of Kubota Corporation's products and interlocking Directors

Kubota Holdings Europe B.V. (Note 3)	Noord-Holland, NETHERLANDS	(thousands of EUR) 532,788	Administration of subsidiaries in Europe	100.0	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
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 its 33 subsidiaries	Rogaland, NORWAY	(thousands of EUR) 53,090	Manufacturing and sales of agricultural implements	(100.0) 100.0	Interlocking Directors
SIAM KUBOTA Corporation Co., Ltd. (Note 3)	Pathumthani, THAILAND	(thousands of THB) 2,739,000	Manufacturing and sales of tractors, combine harvesters, implements, and horizontal type diesel engines, Sales of construction machinery	60.0	Purchase of Kubota Corporation's products and interlocking Directors
Siam Kubota Leasing Co., Ltd.	Pathumthani, THAILAND	(thousands of THB) 2,000,000	Retail financing to purchasers of tractors and combine harvesters, etc.	(100.0) 100.0	Interlocking Directors
KUBOTA Engine (Thailand) Co., Ltd.	Chachoengsao, THAILAND	(thousands of THB) 1,400,000	Manufacturing of vertical type diesel engines	100.0	Interlocking Directors
Kubota Agricultural Machinery (SUZHOU) Co., Ltd.	Jiangsu, CHINA	(thousands of CNY) 170,999	Manufacturing and sales of combine harvesters, rice transplanters, and tractors	(100.0) 100.0	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
Kubota Myanmar Co., Ltd.	Yangon, MYANMAR	(thousands of USD) 23,800	Sales of combine harvesters and tractors	(20.0) 100.0	Sales of Kubota Corporation's products and interlocking Directors
Kubota Australia Pty Ltd.	Victoria, AUSTRALIA	(thousands of AUD) 21,000	Sales of tractors, outdoor power equipment, construction machinery, and engines	100.0	Sales of Kubota Corporation's products
Kubota ChemiX Co., Ltd.	Naniwa-ku, Osaka, JAPAN	3,198	Manufacturing and sales of plastic pipes and fittings	100.0	Loans from Kubota Corporation, lease of facilities from Kubota Corporation, and interlocking Directors
Kubota Environmental Service Co., Ltd.	Chuo-ku, Tokyo, JAPAN	90	Operation, maintenance, design, construction, remodeling, repair, and modifying of water treatment facilities, sanitation facilities, and waste treatment facilities	100.0	Lease of facilities from Kubota Corporation, maintenance, remodeling and repair of facilities constructed by Kubota Corporation, and interlocking Directors

NIPPON PLASTIC INDUSTRY CO., LTD.	Komaki-shi, Aichi, JAPAN	175	Manufacturing and sales of plastic products	(67.0) 67.0	
Kubota Construction Co., Ltd.	Naniwa-ku, Osaka, JAPAN	400	Design and construction of water and sewage, civil engineering	100.0	Lease of facilities from Kubota Corporation, contracting and construction of Kubota Corporation's works, and interlocking Directors
Kubota Air Conditioner, Ltd.	Chuo-ku, Tokyo, JAPAN	400	Manufacturing, sales, and maintenance of air conditioning equipment for business use	100.0	Lease of facilities from Kubota Corporation
Kubota Materials Canada Corporation	Ontario, CANADA	(thousands of CAD) 15,000	Manufacturing and sales of cast steel products and TXAX products	100.0	Purchase of Kubota Corporation's products
Kubota Saudi Arabia Company, LLC	Ash Sharqiyah, SAUDI ARABIA	(thousands of SAR) 56,250	Manufacturing and sales of steel casting products, sales of valves, and maintenance of valves	51.0	Purchase of Kubota Corporation's products and debt guarantees
KUBOTA SYSTEMS INC.	Naniwa-ku, Osaka, JAPAN	400	Development of system, data processing service, and sales of hardware	100.0	Lease of facilities from Kubota Corporation, interlocking Directors, and development of system and data processing service
KUBOTA LOGISTICS Corporation	Naniwa-ku, Osaka, JAPAN	75	Management of logistics and logistics information service related to transportation, storage, cargo handling, and distribution processing	100.0	Lease of facilities from Kubota Corporation, and transportation and storage of Kubota Corporation's products
Heiwa Kanzai Co., Ltd.	Chuo-ku, Tokyo, JAPAN	50	Building maintenance, security guarding, and facility management	60.0	Lease of facilities from Kubota Corporation and contracting on building maintenance of Kubota Corporation
Kubota China Holdings Co., Ltd. (Note 3)	Shanghai, CHINA	(thousands of CNY) 1,701,861	Administration of subsidiaries in China	100.0	Interlocking Directors
85 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
6 other companies					

(Notes)

1. There is no company which files an annual securities report.
2. The amounts in parentheses in the upper row of the *Ownership percentage of voting rights* column represent the percentage of voting rights owned by subsidiaries out of the total ownership percentage.
3. Specified companies under the Financial Instruments and Exchange Act of Japan.
4. Revenue of Kubota Tractor Corporation (excluding intercompany transfers) exceeded 10% of total consolidated revenue of the Company. Its major financial data for the year ended December 31, 2021 were: revenue, ¥548,078 million; income before income taxes, ¥39,083 million; and net income, ¥28,645 million; and at December 31, 2021 were: total equity, ¥256,018 million; and total assets, ¥457,103 million.

## 5. Employees

### (1) Consolidated basis

(As of December 31, 2021)

Reporting segment	Number of employees	
Farm & Industrial Machinery	32,163	(2,885)
Water & Environment	7,388	(267)
Other	1,755	(204)
Corporate	1,987	(—)
Total	43,293	(3,356)

(Note)

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

### (2) Kubota Corporation

(As of December 31, 2021)

Number of employees	Average age	Average length of service	Average annual salary
11,711	40.4	14.9 years	¥ 7,942,028

Reporting segment	Number of employees
Farm & Industrial Machinery	7,224
Water & Environment	2,500
Corporate	1,987
Total	11,711

(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 the current fiscal year end.

The Company's long-term goal is to become a Global Major Brand (hereafter, "GMB"), meaning "a company that can make the greatest contribution to society by earning the trust of the greatest number of customers."

Although the global spread of COVID-19 has yet to be contained and the economic condition remains unstable, businesses of the Company are supported by persistent needs as an essential business. However, as COVID-19 pandemic continues, this fiscal year has tested whether the Company could evolve in response to changes in lifestyles and the work environment. The Company believes that companies are continuing to be required to adapt to the rapidly changing value standards of society, respond to society's expectations to companies, and further evolve and solve social problems.

In light of many social issues, including, but not limited to, COVID-19 pandemic, throughout the world that are growing in complexity and severity, the Company is focusing on the following four megatrends:

- 1) Balancing Economic Growth with Resource Recycling (Circular Economy)
- 2) Net Zero Greenhouse Gas Emissions (Carbon Neutrality)
- 3) A Society Where the Marginal Cost of Products is Close to Zero through Recycling and Sharing
- 4) Formation of New Small- and Medium- Sized Communities that are Not Obsessed Only with Global Capitalism

Based on these megatrends and the role of the Company, the Company has formulated the long-term vision "GMB2030" for 2030 in order to accelerate the realization of GMB. In the GMB2030, the Company is committed to be an "Essentials Innovator for Supporting Life, Committed to a Prosperous Society and Cycle of Nature." In order to realize GMB2030, the Company will, in addition to expanding existing businesses, take on initiatives to provide the following three solutions: 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. Through these solutions and by making maximum contributions to a sustainable society, the Company aims to achieve long-term sustainable development.

The Company has also established the Mid-Term Business Plan 2025, which covers the five-year period from 2021 to 2025, to establish a foundation for the realization of GMB2030. Followings are changes in the environment surrounding the Company and business challenges considered in the Mid-Term Business Plan 2025:

- 1) Corporate social responsibility is becoming more important due to changes in the society surrounding companies
- 2) The Company needs to establish a new business model which enables sustainable growth taking into account social issues and megatrends
- 3) The Company needs to take advantage of opportunities to expand existing businesses and promote to establish the foundation for further growth
- 4) Profit margin has a tendency to decline due to intensifying competition and upfront investments
- 5) As businesses become more globalized, a management control system is no longer in line with current business

In order to respond to these issues, the Company addresses the following five main themes in the Mid-Term Business Plan 2025.

- 1) Promotion of ESG (Environment, Social and Governance) management
- 2) Establishment of the foundation for realizing GMB2030 that supports the next generation
- 3) Expansion of revenue in existing businesses
- 4) Improvement of profit margin
- 5) Development of infrastructure that supports sustainable growth

In addition to achieving a balance between investment and profitability improvement through "expansion of revenue in existing businesses" and "improvement of profit margin," the Company will actively and systematically invest management resources in the other three themes.

In the Mid-Term Business Plan 2025, the Company aims at focusing not only on revenue and profit, but also on capital efficiency, adding return on equity (ROE), operating cash flow, and free cash flow as important indicators.

Based on the above, the Company will promote the following priority measures.

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

As corporate social responsibility becomes increasingly important, the Company continues to promote ESG conscious initiatives more than ever 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-related activities rooted in the Kubota Global Identity (corporate principles) in addition to general ESG initiatives.

### (2) Materiality of K-ESG Management

The Company will engage in ESG management, which is the Company's unique business operations that position ESG at the core of management. The Company will advance initiatives in four areas that make up the framework of ESG management, each of which has been broken down into 12 materiality.

The first area is "solving environmental and social problems through business." GMB2030 will be realized by initiatives for new solutions and expansion of existing businesses. As directions for realization, the Company is committed to "enhancing the productivity and safety of food," "promoting the circulation of water resources and waste," and "improving urban and living environments." Carbon neutrality, which has been gaining attention recently, is a challenge people and companies face, and no longer described as trend. The Company also recognizes carbon neutrality as a requisite for the conduct of the business and a challenge that all share. Thus, the "mitigation of and adaptation to climate change" will also be addressed as a new pillar of K-ESG management in addition to the aforementioned directions, which are based on megatrends.

The second area is "accelerating innovation to solve problems." The Company will build strong relationships with internal and external divisions, affiliated companies, and suppliers in which diverse people from different regions, age groups, and genders can exchange opinions straightforwardly. Furthermore, the Company aims to promote the collaboration among industries, government and academia, such as start-ups, companies from different industries, and universities. To achieve this goal, the Company will promote "business operations based on diverse values" and "strengthening of R&D and partnerships" and create innovations unique to the Company.

The third area is "gaining empathy and participation of stakeholders." The Company will focus on the "improvement of employee growth and job satisfaction," "customer satisfaction and safety," and "the enhancement of transparency and dialogue" to promote the empathy and participation of stakeholders. The Company will expand the circle of empathy and participation to all stakeholders by communicating the Company's business activities and attitudes with a high degree of transparency and holding repeated dialogues with stakeholders.

The fourth area is "building governance to enhance sustainability." The environment surrounding the Company is complex and undergoing major changes, making it difficult to predict the future. Under these circumstances, the Company will build frameworks and governance to respond to these changes by pursuing the followings: "strengthening of corporate governance," including strengthening the supervisory functions of the Board of Directors, "strengthening of risk management" to reduce business execution risks, and "penetration and practice of ESG management" through dialogue between management and employees.

### (3) Promotion of Mid-Term Business Plan 2025

In addition to the "promotion of ESG management," the Company will steadily promote other frameworks of the mid-term business plan as follows:

As to the "establishment of the foundation for realizing GMB2030 that supports the next generation," the Company is working on advanced smart agriculture, which utilizes sensing, analysis systems, artificial intelligence (AI), etc., and making progress in data linking with other systems and applications by opening Kubota Smart Agri System ("KSAS"). The Company has also started activities to establish the resource circulation business through investment.

As to the "expansion of revenue in existing businesses," preparations to expand production of compact track loaders (CTLs) at a plant in North America are progressing steadily and implements for dryland farming are being developed in the ASEAN region.

As to the "improvement of profit margin," the Company is promoting materials cost reduction and productivity improvements initiatives.

As to the "development of infrastructure that supports sustainable growth," a global supply and demand management system will be introduced, an educational program for cultivating digital transformation (DX) personnel will

be developed, and a “risk-based approach” will be adopted to prevent problems from occurring in advance.

As to the “promotion of DX as a common theme”, the Company will promote innovation of products, services, and production sites through means such as AI data analysis and video content analysis. Furthermore, in terms of business processes, the Company will continue to promote automation and paperless office operations. In 2021, these initiatives were evaluated, and the Company was registered as a “DX-Certified Operator” specified by the Japanese Government.

## 2. Risk Factors

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

### (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 and financial position 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 and financial position as production and sales activities may be disrupted.

### (3) The Risks Associated with International Operations

The Company’s operations 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 financial position, and this may hinder growth of the Company. Material risks include followings:

- 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) Political instability in developing countries, etc.
- 5) Immature technology levels and unstable labor-management 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 operating results and financial position of the Company. 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 and financial position. In general, the appreciation of the yen against other currencies has a negative impact on the results of operations and financial results 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 and financial position.

#### (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 and financial position.

#### (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 and financial position.

#### (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 and financial position.

#### (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 and financial position.

#### (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 and financial position.

#### (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 and financial position.

#### (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 and financial position.

#### (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 and financial position.

#### (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 and financial position 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 and financial position.

#### (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, pandemics, wars, terrorist attacks, fires, and information system or communication network breakdowns, occur in countries and regions in which the Company operates, the Company's production, distribution, and sales activities may be disrupted. In particular, 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 to preventing the spread of infection and ensuring the safety of its customers and other related parties. In addition to using the Internet for sales and other business activities, the Company continues to promote and establish systems and environments to support telecommuting. 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 cause a material adverse effect on the Company's results of operations and financial position.

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

Beginning with the current consolidated fiscal year, in conformity with the change in the business structure of the Company, the amounts related to “Financial services business” are reported in the “Farm & Industrial Machinery” segment, whereas they were formerly reported in the “Other” segment. The information for the same period in the prior year has been retrospectively adjusted to conform to the current fiscal year’s presentation.

Forward-looking statements contained in this section are made based on the assumptions and judgements of the Company as of the current fiscal year end.

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

The analysis and consideration of the Company’s financial status, operation result, and cash flows (the result of operations) for fiscal year 2021 are as follows:

##### 1) Result of Operations

As the COVID-19 pandemic continues, this fiscal year has tested whether the Company could evolve in response to changes in lifestyles and the work environment. Amidst the need to adapt to the rapidly changing value standards of society, respond to society's expectations to companies, and meet the pressure for further evolution, the Company, in order to accelerate the realization of the goal of becoming a GMB, has begun promoting GMB2030, the long-term vision for the year 2030, and the Mid-Term Business Plan 2025 to serve as the foundation for GMB2030. With regard to the progress of the Mid-Term Business Plan 2025, refer to *1. Business Issues to Address (3) Promotion of Mid-Term Business Plan 2025*.

Despite a year of unstable global economic conditions, revenue of the Company exceeded ¥2 trillion for the first time and operating income reached a record high.

For the year ended December 31, 2021, revenue of the Company increased by ¥343.5 billion [18.5%] from the prior year to ¥2,196.8 billion.

Domestic revenue increased by ¥7.6 billion [1.3%] from the prior year to ¥602.8 billion because of increased revenue in Farm & Industrial Machinery mainly due to increased sales of farm equipment, despite a decrease in revenue in Water & Environment and Other.

Overseas revenue increased by ¥335.9 billion [26.7%] from the prior year to ¥1,594.0 billion because of significantly increased revenue of farm equipment and construction machinery, while revenue in Water & Environment decreased from the prior year. As a result, overseas revenue accounted for 72.6% of the consolidated revenue, which increased by 4.7 percentage points from the prior year.

Operating profit increased by ¥70.9 billion [40.5%] from the prior year to ¥246.2 billion mainly due to significantly increased revenue in the domestic and overseas markets and favorable impact of foreign exchange rate, while there were some negative effects from soaring material prices and logistics expenses. Profit before income taxes increased by ¥66.7 billion [35.9%] from the prior year to ¥252.6 billion due to increased operating profit. Income tax expenses were ¥64.9 billion. Share of profits of investments accounted for using the equity method was ¥3.0 billion. Profit for the year increased by ¥49.3 billion [34.9%] from the prior year to ¥190.7 billion. Profit attributable to owners of the parent increased by ¥47.1 billion [36.7%] from the prior year to ¥175.6 billion

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

##### Farm & Industrial Machinery

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

Revenue in this segment increased by 23.6% from the prior year to ¥1,864.8 billion and accounted for 84.9% of the consolidated revenue.

Domestic revenue increased by 6.0% from the prior year to ¥310.5 billion. Sales of farm equipment and agricultural-related products increased due to a recovery from adverse reaction from rush demand before the consumption tax hike and increased demand resulting from subsidies for business continuation of farmers.

Overseas revenue increased by 27.8% from the prior year to ¥1,554.3 billion. In North America, sales of tractors and

construction machinery increased significantly due to strong demand along with trend in moving to suburbs despite continued delay in procurement caused by disrupted supply chains. In Europe, sales of construction machinery, tractors, and engines increased due to continued recovery trend from sluggish sales along with the infection spread of COVID-19 in the prior year. In Asia, outside Japan, sales of farm equipment in Thailand increased significantly mainly due to favorable weather conditions and strong market of dryland farming supported by stable high crop prices. In addition, sales of farm equipment in India were strong as well. In Other areas, sales of tractors and construction machinery in Australia increased significantly due to government stimulus policies.

Operating profit in this segment increased by 39.1% from the prior year to ¥250.4 billion due to significantly increased revenue in the domestic and overseas markets, raised product price, and favorable impact of foreign exchange rates, despite a negative effect from soaring material prices and logistics expenses.

### Water & Environment

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

Revenue in this segment decreased by 3.3% from the prior year to ¥305.4 billion and accounted for 13.9% of the consolidated revenue.

Domestic revenue decreased by 3.0% from the prior year to ¥265.7 billion. In pipe- and infrastructure-related products, sales of ductile iron pipes and construction business decreased mainly due to a negative effect from postponed construction along with a state of emergency. Revenue in environment-related products decreased due to decreased plant construction, while sales of pumps increased due to increased sales of drainage pump vehicles.

Overseas revenue decreased by 5.2% from the prior year to ¥39.7 billion primarily due to decrease in sales of industrial castings and ductile iron pipes.

Operating profit in this segment decreased by 14.1% from the prior year to ¥22.3 billion due to soaring material prices.

### Other

Other is mainly comprised of a variety of services.

Revenue in this segment decreased by 6.3% from the prior year to ¥26.6 billion and accounted for 1.2% of the consolidated revenue.

Operating profit in this segment increased by 6.9% from the prior year to ¥3.7 billion.

## 2) Assets, Liabilities, and Equity

### Assets

Total assets at December 31, 2021, were ¥3,773.5 billion, an increase of ¥584.2 billion from the prior fiscal year-end. With respect to assets, finance receivables increased significantly due to an expansion in sales financing operations in North America where retail sales were strong, and an increase in the value translated into yen caused by the yen depreciation. In addition, inventories increased mainly due to increased inventories in transit along with port congestion.

### Liabilities

With respect to liabilities, bonds and borrowings denominated in foreign currencies increased due to an increase in finance receivables.

### Equity

Equity 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 44.5%, 1.8 percentage points lower than the prior fiscal year end.

### 3) Analysis of Cash Flows

Net cash provided by operating activities during the year ended December 31, 2021, was ¥92.5 billion, a decrease of ¥50.4 billion in net cash inflow compared with the prior year. This decrease was due to the changes in inventories despite increased profit for the year.

Net cash used in investing activities was ¥127.4 billion, an increase of ¥80.2 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 property, plant, and equipment and intangible assets and a decrease in cash inflow related to sales of securities.

Net cash provided by financing activities was ¥60.6 billion, an increase of ¥128.9 billion in net cash inflow compared with the prior year mainly due to an increase in funding.

As a result of the above, and after taking into account the effects from exchange rate changes, cash and cash equivalents as of December 31, 2021, were ¥258.6 billion, an increase of ¥35.7 billion from the beginning of the current year.

Cash flows from operating activities and free cash flows are one of the important indicators used in the 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 in the fiscal year 2021. Regarding bonds and borrowings, refer to Notes to Consolidated Financial Statements, "Note 14. BONDS AND BORROWINGS."

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

### (3) Production, Orders Received, and Revenue

#### 1) Production Results

Consolidated production results by reporting segment for the year ended December 31, 2021, were as follows:

Reporting segment	Amount (millions of yen)	Change from the prior year (%)
Farm & Industrial Machinery	¥ 1,946,762	34.9
Water & Environment	312,662	(0.3)
Other	26,667	(7.6)
Total	¥ 2,286,091	28.1

(Notes)

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

## 2) Orders Received

Consolidated orders received by reporting segment for the year ended December 31, 2021, 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	¥ 879	59.8	¥ 325	187.6
Water & Environment	287,402	20.2	264,213	14.4
Other	6,109	21.7	3,377	39.1
Total	¥ 294,390	20.3	¥ 267,915	14.7

(Notes)

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

## 3) Revenue

Consolidated revenue by reporting segment for the year ended December 31, 2021, were as follows:

Reporting segment	Amount (millions of yen)	Change from the prior year (%)
Farm & Industrial Machinery	¥ 1,864,803	23.6
Water & Environment	305,380	(3.3)
Other	26,583	(6.3)
Total	¥ 2,196,766	18.5

(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, 2021 and 2020.
3. Amounts do not include consumption taxes.

## (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

The following is a summary of the material contracts entered into during the year ended December 31, 2021:

Contract company	Contractual partner	Country	Contents of the contract	Execution date
Kubota Corporation	Escorts Limited	India	The contract regarding Kubota Corporation's subscription to third-party preferential primary share allotment by Escorts Limited	November 18, 2021

## 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 the Mid-Term Business Plan 2025, the Company has taken up "initiatives to secure candidates of growth drivers for the next generation" and the Company proactively devotes resources to R&D to succeed in global competition and realize its sustainable growth.

The total R&D expenses for the year ended December 31, 2021, were ¥67.5 billion and the R&D expenses and major achievements by reporting segment were 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

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

#### Development of the "MU5502" tractor for Indian market

Demand continues to grow in India, the world's largest tractor market in terms of units, and the Company has developed the "MU5502" tractor, optimized for this market. The main features are as follows:

- 1) The "MU5502" is acceptable to local customers not only in terms of function, performance, and quality, but also in terms of price, as procurement, logistics, and production costs are reduced since parts and supplies are procured and tractors are manufactured locally at Escorts Kubota India Pte. Ltd., a joint venture manufacturing company with Indian company Escorts Ltd.
- 2) Through on-site testing, the engine has been tuned to be suitable for local operations, and additional speed stages and vehicle speed settings have been made to improve operation and fuel efficiency. The high cushioning of the seat helps reduce operator fatigue not only during operation but also during transportation where road conditions are poor. In addition, the improved headlamp makes possible to operate and drive a tractor safely even at night or in areas of high traffic. Applying these features enhances the total level of workability, safety, and comfort during operations.
- 3) Designed to make daily maintenance by customer and after-sales services at a dealership more comfortable and efficient by adding an overheat warning lamp and a clogged air filter lamp as well as splitting the wiring harness.

#### Development of electronically controlled diesel engine "D902-K"

The Company has developed the electronically controlled diesel engine D902-K equipped with a one-of-a-kind common rail system developed exclusively for small engines and comes with Kubota's unique three vortex common rail (TVCR) combustion system. The main features are as follows:

- 1) The amount of black smoke emission is reduced to an imperceptible level at start, acceleration, and rapid increase in workload, and is capable of complying with various local emission standards, including EPA (\*1) Tier 4, EU Stage V, and China IV standards.
- 2) The D902-K consumes approximately 5% less fuel than its current conventional model while maintaining a compact physique and workability. The D902-K engine uses the same external dimensions, locations of ports and an engine mount, and PTO (\*2) as its current model, thus facilitating easy model upgrades.
- 3) The D902-K is capable of communicating via the CAN(\*3), which allows engine speed and torque to be controlled using signals from the vehicle and can also acquire engine operating data for telematics purposes.
- 4) Due to superior torque characteristics, lower rotation due to a rapid increase in workload is suppressed, enhancing drivability and work efficiency.

(Notes)

- \*1. Abbreviation for Environmental Protection Agency; an independent executive agency of the U.S. federal government tasked with environmental protection matters.
- \*2. Abbreviation for Power Take Off; any of several methods for taking power from a power source and transmitting it to an application such as a separate machine.
- \*3. Abbreviation for Controller Area Network; a serial communication standard internationally standardized by ISO which is designed to allow microcontrollers and devices to communicate with each other's applications without a host computer.

#### Development of a stand-on compact utility loader "SCL1000"

The compact utility loader (CUL) has been developed whose demand is increasing in the U.S. market due to its ease of accessibility and ease of operation due to unobstructed view. The main features are as follows:

- 1) The selling point of the SCL1000 is that it can be used for a wide range of applications, including lawn mowing, digging, and transporting lumber and hay, by changing attachments on the front part of the SCL1000. In addition, R&D, procurement, manufacturing, and sales of the SCL1000 are all carried out by North American personnel, and not only the machine itself but also transportation is designed to be optimal for the local market.
- 2) Lightweight, compact, and wide track design minimize damage to grass or landscaping while providing high mobility with low fuel consumption.
- 3) Comfort is also important for CUL and the SCL1000 is designed to minimize operator fatigue.

The R&D expenses in this segment were ¥52.4 billion.

## (2) Water & Environment

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

#### Development of a new aging evaluation method for water pipelines

Developed a new aging evaluation method for ductile iron pipes, including cast iron pipes, which are the most commonly used water pipes. The main features are as follows:

- 1) By utilizing machine learning to build a new "aging evaluation model," it has been able to significantly improve the accuracy of aging predictions compared to conventional model.
- 2) It is possible to calculate the estimated number of leakage cases (cases/year/km) for each pipeline, present the current and future leakage risk level, and present the priority of renewal for each pipeline.
- 3) High-precision aging evaluation can be performed for pipes other than ductile iron pipes, including cast iron pipes, such as plastic pipes, contributing to the planning of efficient and economical water pipeline replacement.

#### Development of the "smart farm water management system" that automatically controls water level of rice paddies

Developed the "smart farm water management system" that can automatically control water level of rice paddies by interlocking an existing lifting pump that draws agricultural water from rivers with "WATARAS," a device that electrically operates water taps in rice paddies. The main features are as follows:

- 1) By automatically controlling the water level of rice paddies, it is possible to save energy and effectively use water resources in addition to significant labor savings. Research by National Agriculture and Food Research Organization has shown that the use of WATARAS can reduce the labor time required for water management by about 80% and the amount of water used from ear emergence to harvest by about 50%, and this system is expected to have even greater effects.
- 2) Information on the operation status of pumping pumps, opening and closing of water taps in each rice paddies, and water level shortage can be checked in real time on the KSIS (\*4) website.



(Notes)

- \*4. Kubota Smart Infrastructure System: a unique cloud system of the Company that provides remote monitoring, diagnosis, and control services for water and environmental equipment.

The R&D expenses in this segment were ¥ 6.0 billion.

### (3) Other and Corporate

The Company promotes its own unique ESG management, K-ESG, and is accelerating R&D efforts to create innovations that contribute to solving environmental and social issues. In the global efforts of carbon neutrality, the Company is accelerating its efforts to commercialize BEV (\*5) tractors and BEV mini backhoes in the field of electric farming and construction equipment. The Company is also conducting R&D that the Company has been conducting to date, such as improving fuel efficiency through combustion enhancement and increasing the content of biodiesel. The Company aims to achieve carbon neutrality also by combining multifaceted efforts, such as the reduction of work loss and optimal energy-saving operation through automatic operation technology, and the use of biomass (agricultural and food residue).

With regard to smart agriculture, which the Company has been focusing on in recent years, the Company has established automatic driving technology for tractors, combine harvesters, and rice transplanters as of last year, ahead of its competitors. The Company is also working on more advanced initiatives, such as research on the use of AI and advanced sensors, to make machines even easier to use. Data-driven agriculture initiatives, such as the use of weather information, growth models, and remote sensing, have been enriched by systematic promotion of field demonstrations. The Company has also made steady progress in R&D related to the collaboration of the KSAS agricultural support system (\*6), the WATARAS farm water management system, and the KSIS water environment platform, including research on a smart rice paddy dam.

The Company has fundamentally enhanced core technologies by combining basic technologies like material and analysis technologies with advanced technologies, such as AI and DX, by which significantly shorten the time required for R&D and improve its quality.

(Notes)

- \*5. Abbreviation for Battery Electric Vehicle.
- \*6. Kubota Smart Agri System; farming and service support systems provided by the Company.

The R&D expenses in this segment were ¥9.1 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 makes investments for environmental conservation, safety, and sanitation purposes.

The capital investment for the year ended December 31, 2021, was ¥121,359 million, and the breakdown is as follows:

	For the year ended December 31, 2021 (millions of yen)	For the year ended December 31, 2020 (millions of yen)	Change from the prior year (%)
Farm & Industrial Machinery	¥ 92,196	¥ 64,322	143.3
Water & Environment	10,395	7,610	136.6
Other	539	1,024	52.6
Corporate	18,229	14,245	128.0
Total	¥ 121,359	¥ 87,201	139.2

(Note)

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

The details of major investments are as follows:

#### Farm & Industrial Machinery

Investments were made to construct new R&D hubs in Japan and North America, to manufacture new models and to increase manufacturing capacity.

#### Water & Environment

Investments were made to renew obsolete facilities.

#### Corporate

Investments were made to enhance IT infrastructure.

For the year ended December 31, 2021, there was no sale, disposal, or damage to property, plant, and equipment which resulted in a significant adverse impact to productivity.

Losses on sale and disposal for routine upgrades were ¥3,108 million and ¥2,561 million for the years ended December 31, 2021 and 2020, respectively.

## 2. Major Property, Plant, and Equipment

The Company's major property, plant, and equipment at December 31, 2021, 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, 2021)

Facility (Main location)	Reporting segment	Details of production item or business contents	Carrying amounts (millions of yen)						Number of employees
			Buildings and structures	Machinery and equipment and others	Land		Construction in progress	Total	
					Area (m <sup>2</sup> in thousands)	Amount			
Hanshin Plant (Amagasaki-shi, Hyogo, JAPAN)	Water & Environment	Ductile iron pipes	2,967	3,680	(1) 365	1,930	1,130	9,707	655
Keiyo Plant (Funabashi-shi, Chiba, JAPAN)	Water & Environment	Ductile iron pipes	1,798	2,578	445	10,664	1,015	16,055	353
Ichikawa Plant (Ichikawa -shi, Chiba, JAPAN)	Water & Environment	Spiral welded steel pipes	566	1,501	(19) 62	513	194	2,774	125
Okajima Business Center (Taisho-ku, Osaka, JAPAN)	Farm & Industrial Machinery, Water & Environment	Casting parts	1,284	2,578	(1) 90	42	641	4,545	354
Sakai Plant (Sakai-shi, Osaka, JAPAN)	Farm & Industrial Machinery	Farm equipment, engines, construction machinery	22,276	26,480	(15) 980	24,017	32,407	105,180	4,189
Utsunomiya Plant (Utsunomiya-shi, Tochigi, JAPAN)	Farm & Industrial Machinery	Farm equipment	887	2,175	146	188	332	3,582	416
Tsukuba Plant (Tsukubamirai-shi, Ibaraki, JAPAN)	Farm & Industrial Machinery	Farm equipment, engines	6,932	16,974	(21) 392	3,187	552	27,645	1,771
Hirakata Plant (Hirakata-shi, Osaka, JAPAN)	Farm & Industrial Machinery, Water & Environment	Construction machinery, pumps, valves, steel castings	7,699	6,526	304	672	665	15,562	1,322
Shiga Plant (Konan-shi, Shiga, JAPAN)	Water & Environment	Wastewater treatment plant (Johkasou)	817	189	178	1,032	12	2,050	58
Kyuhoji Business Center (Yao-shi, Osaka, JAPAN)	Farm & Industrial Machinery	Precision equipment	399	369	38	1,521	49	2,338	214
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.	14,316	1,153	1,651	26,361	230	42,060	2,254

(Notes)

1. Kubota Corporation leases part of its land and buildings. The related rental expenses for such assets were ¥1.4 billion for the year ended December 31, 2021. The areas of leased land are stated in parentheses. Leased land and buildings are mainly used for storage yards and sales bases.
2. Land is used for factories, distribution and sales bases, recreation facilities, and other purposes.

## (2) Domestic subsidiaries

(As of December 31, 2021)

Company name	Facility (Main location)	Reporting segment	Details of production item or business contents	Book value (millions of yen)						Number of employees
				Buildings and structures	Machinery and equipment and others	Land		Construction in progress	Total	
						Area (m <sup>2</sup> in thousands)	Amount			
Kubota ChemiX Co., Ltd.	Head office, regional offices, factories (Naniwa-ku, Osaka, JAPAN, etc.)	Water & Environment	Plastic pipes, fittings	285	4,792	(104)	—	788	5,865	638

(Note)

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

## (3) Overseas subsidiaries

(As of December 31, 2021)

Company name	Facility (Main location)	Reporting segment	Details of production item or business contents	Book value (millions of yen)						Number of employees
				Buildings and structures	Machinery and equipment and others	Land		Construction in progress	Total	
						Area (m <sup>2</sup> in thousands)	Amount			
Kubota North America Corporation	Head office (Delaware, USA)	Farm & Industrial Machinery	Administration of subsidiaries in North America	11,753	113	3,569	6,062	44	17,972	25
Kubota Tractor Corporation	Head office, regional offices (Texas, etc., USA)	Farm & Industrial Machinery	Administration, sales, etc.	4,486	1,058	811	1,484	1,517	8,545	1,040
Kubota Manufacturing of America Corporation	Head Factory (Georgia, USA)	Farm & Industrial Machinery	Tractors, outdoor power equipment	4,868	4,806	154	54	7,080	16,808	1,512
Kubota Industrial Equipment Corporation	Head Factory (Georgia, USA)	Farm & Industrial Machinery	Implements, tractors, construction machinery	3,669	1,338	356	341	1,290	6,638	984
SIAM KUBOTA Corporation Co., Ltd.	Head office, factories (Pathumthani, etc., THAILAND)	Farm & Industrial Machinery	Tractors, combine harvesters, implements, horizontal type diesel engines	6,246	4,971	496	2,667	728	14,612	2,591

### 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 133<sup>rd</sup> business term is approximately ¥190.0 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
R&D hub in North America (Georgia, USA)	Farm & Industrial Machinery	Building new R&D hub of turf equipment, utility vehicles, and implement for tractors	(millions of USD) 85	(millions of USD) 62	July 2019	April 2022
Kubota Corporation Sakai Plant (Sakai-shi, Osaka, JAPAN)	Farm & Industrial Machinery	Building new R&D hub	(millions of JPY) 83,900	(millions of JPY) 41,753	December 2018	June 2022
Kubota North America Corporation (Delaware, USA)	Farm & Industrial Machinery	Establishing enterprise resource planning system in North America	(millions of USD) 82	(millions of USD) 34	October 2019	March 2023
Kubota Corporation Okajima Business Center (Taisho-ku, Osaka, JAPAN)	Farm & Industrial Machinery	Improving production efficiency of high value added casting and establishing business continuity plan	(millions of JPY) 22,820	(millions of JPY) 700	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) 17,678	December 2019	December 2023
Great Plains Manufacturing, Inc. (Kansas, USA)	Farm & Industrial Machinery	Establishing a new plant for compact construction machines	(millions of USD) 53	(millions of USD) 31	August 2020	September 2022
Kubota Corporation Sakai Plant (Sakai-shi, Osaka, JAPAN)	Farm & Industrial Machinery	Establishing business continuity plan	(millions of JPY) 29,200	(millions of JPY) 266	January 2021	October 2026
Kubota Corporation Tsukuba Plant (Tsukuba-Mirai-shi, Ibaraki, JAPAN)	Farm & Industrial Machinery	Establishing business continuity plan and constructing training facilities	(millions of JPY) 15,000	(millions of JPY) 361	March 2021	November 2025

(Note)

Plan to establish a legal entity.

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, 2021)	Number of shares issued as of filing date (shares) (March 18, 2022)	Stock exchange on which Kubota Corporation is listed	Description
Common shares	1,200,246,846	1,200,246,846	Tokyo Stock Exchange (the first section)	The number of shares per unit of shares is 100 shares.
Total	1,200,246,846	1,200,246,846	—	—

#### (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 21, 2017 (Note 1)	35	1,241,154	¥ 30	¥ 84,100	¥ 30	¥ 73,087
December 29, 2017 (Note 2)	(7,130)	1,234,024	¥ —	¥ 84,100	¥ —	¥ 73,087
April 20, 2018 (Note 3)	32	1,234,056	¥ 30	¥ 84,130	¥ 30	¥ 73,117
December 28, 2018 (Note 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

(Notes)

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

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

2. The decrease was due to retirement of treasury shares.

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

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

## (5) Shareholders Composition

(As of December 31, 2021)

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				
					Corporations	Individuals	Individuals and others	Total	
Number of shareholders	—	132	50	805	874	75	50,739	52,675	—
Share Ownership (units)	—	5,656,503	307,822	414,960	4,702,494	749	917,151	11,999,679	278,946
Ownership percentage of shares (%)	—	47.14	2.56	3.46	39.19	0.01	7.64	100.00	—

(Notes)

1. Of 2,268 shares of treasury shares, 22 units are included in the *Individuals and others* column while 68 shares are included in the *Number of shares less than one unit* column.

2. The *Other institution* column includes 10 units registered in the name of Japan Securities Depository Center, Incorporated.

## (6) Major Shareholders

(As of December 31, 2021)

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	190,314	15.86
Nippon Life Insurance Company	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo, JAPAN	62,542	5.21
Meiji Yasuda Life Insurance Company	1-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo, JAPAN	59,929	4.99
Custody Bank of Japan, Ltd. (Trust Account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo, JAPAN	58,870	4.90
Sumitomo Mitsui Banking Corporation	1-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo, JAPAN	36,006	3.00
Mizuho Bank, Ltd.	5-5, Otemachi 1-chome, Chiyoda-ku, Tokyo, JAPAN	31,506	2.62
Moxley & Co. LLC (Standing proxy: Sumitomo Mitsui Banking Corporation)	270 Park Avenue, New York, New York, 10017-2070, U.S.A. (1-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo, JAPAN)	31,230	2.60
MUFG Bank, Ltd.	7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo, JAPAN	18,156	1.51

Name	Address	Share ownership (thousands of shares)	Ownership percentage to the total number of issued shares (%)
Custody Bank of Japan, Ltd. Sumitomo Mitsui Trust Bank Retirement benefit trust account	8-12, Harumi 1-chome, Chuo-ku, Tokyo, JAPAN	17,872	1.49
BNYM Treaty DTT 15 (Standing proxy: MUFG Bank, Ltd.)	240 Greenwich Street, New York, New York, 10286, U.S.A. (7-1, Marunouchi 2-chome, Chiyoda- ku, Tokyo, JAPAN)	17,470	1.46
<b>Total</b>	—	<b>523,899</b>	<b>43.65</b>

(Notes)

- The shares held by The Master Trust Bank of Japan, Ltd. (Trust account), Custody Bank of Japan, Ltd. (Trust account), and Custody Bank of Japan, Ltd. Sumitomo Mitsui Trust Bank Retirement benefit trust account are invested as their fiduciary services.
- Change reports pertaining to large shareholding reports by Massachusetts Financial Services Company dated September 21, 2018, are available for public inspection. However, the information in the reports is not stated in the preceding table since Kubota Corporation has not confirmed the actual status of shareholdings as of December 31, 2021. A summary of the reports as of September 14, 2018, is as follows:

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

- Change reports pertaining to large shareholding reports by Sumitomo Mitsui DS Asset Management Company, Ltd. dated June 5, 2020, are available for public inspection. However, the information in the reports is not stated in the preceding table since Kubota Corporation has not confirmed the actual status of shareholdings as of December 31, 2021. A summary of the reports as of May 29, 2020, is as follows:

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

- Change reports pertaining to large shareholding reports by Mizuho Bank, Ltd. dated April 22, 2021, are available for public inspection. However, the information in the reports is not stated in the preceding table since Kubota Corporation has not confirmed the actual status of shareholdings as of December 31, 2021. A summary of the reports as of April 15, 2021, is as follows:

Name	Share ownership (thousands of shares)	Ownership percentage to the total number of issued shares (%)
Mizuho Bank, Ltd.	31,506	2.61
Mizuho Securities Co., Ltd.	3,082	0.26
Asset Management One Co., Ltd.	37,947	3.14
<b>Total</b>	<b>72,535</b>	<b>6.00</b>

- Change reports pertaining to large shareholding reports by MUFG Bank, Ltd. dated December 20, 2021, are available for public inspection. However, the information in the reports is not stated in the preceding table since Kubota Corporation has not confirmed the actual status of shareholdings as of December 31, 2021. A summary of the reports 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
<b>Total</b>	<b>84,545</b>	<b>7.00</b>

- Change reports pertaining to large shareholding reports by Sumitomo Mitsui Trust Bank, Ltd. dated December 21, 2021, are available for public inspection. However, the information in the reports is not stated in the preceding table since Kubota Corporation has not confirmed the actual status of shareholdings as of December 31, 2021. A summary of the reports as of December 15, 2021, 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	1.62
Sumitomo Mitsui Trust Asset Management Co., Ltd.	36,792	3.04
Nikko Asset Management Co., Ltd.	25,449	2.11
Total	81,813	6.77

## (7) Information on Voting Rights

### 1) Issued Shares

(As of December 31, 2021)

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:	2,200	—	—
	(Crossholding shares) Common shares:	718,400	—	—
Shares with full voting rights (others)	Common shares:	1,199,247,300	11,992,473	—
Shares less than one unit	Common shares:	278,946	—	Shares less than one unit (100 shares)
Number of issued shares		1,200,246,846	—	—
Total number of voting rights		—	11,992,473	—

#### (Note)

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

### 2) Treasury Shares

(As of December 31, 2021)

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 (%)
<b>(Treasury shares)</b>					
Kubota Corporation	2-47, Shikitsuhigashi 1-chome, Naniwa-ku, Osaka, JAPAN	2,200	—	2,200	0.00
<b>(Crossholding shares)</b>					
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	—	720,600	—	720,600	0.06

## (8) Director and Employee Stock Ownership Plan

At the 132<sup>nd</sup> General Meeting of Shareholders held on March 18, 2022, Kubota Corporation has resolved to introduce a performance-linked stock compensation plan using a trust (hereinafter, the “Plan”) for the Directors, excluding Outside Directors.

Kubota Corporation is also introducing a performance-linked stock compensation plan similar to that for the Directors to the Executive Officers who have entered into a mandate contract with Kubota Corporation (hereinafter, “Mandated Executive Officers”).

### 1) Outline of the Plan

The Plan is a stock-based compensation plan in which a trust, that Kubota Corporation will establish and contribute cash to (hereinafter, the “Trust”), acquires the common shares of Kubota Corporation (hereinafter, “Company’s shares”). Then, the Company’s shares in a number corresponding to the number of points granted by Kubota Corporation to each Director will be delivered to each Director through the Trust. However, by entering into a transfer restriction agreement between Kubota Corporation and each Director, a restriction on the transfer of such shares is imposed until they leave office as a Director.

There are two types of points granted based on the Plan: fixed points corresponding to the restricted stock unit and performance-linked points corresponding to the performance share unit.

Fixed points are granted for a period of one year beginning on the day following the Ordinary General Meeting of Shareholders in and after 2022, and ending on a date of the Ordinary General Meeting of Shareholders of the following year (hereinafter, the “fixed point period”). However, the first period shall be from March 19, 2022, to the date of the Ordinary Meeting of Shareholders in 2023. Points are granted based on factors such as the corporate ranks and the tenure in the corresponding fixed point period. In principle, fixed points are granted at the end of fixed-point period and corresponding Company’s shares are to be delivered to respective Directors from the Trust.

Performance-linked points are granted for a period of three years beginning on the day following the Ordinary General Meeting of Shareholder in and after 2022, and ending on a date of the Ordinary General Meeting of Shareholder of three years later (hereinafter, the “performance-linked point period”). However, the first period shall be from March 19, 2022, to the date of the Ordinary General Meeting of Shareholders in 2025. Performance-linked points are granted based on the corporate ranks, tenure, and performance during three consecutive fiscal years from the fiscal year beginning immediately prior to the start of the relevant performance-linked point period to the fiscal year ending immediately prior to the end of the relevant performance-linked point period. In principle, performance-linked points are granted at the end of each performance-linked point period and corresponding Company’s shares are delivered to respective Directors from the Trust.

However, for a Director who are expected to retire or cease to be a resident of Japan during any fixed-point period or performance-linked point period, the points may be granted before the end of the fixed point period or the performance-linked point period, based on the corporate ranks, tenure, etc.

Following is the outline of the trust agreement pertaining to the Trust:

Trustor	Kubota Corporation
Trustee	Sumitomo Mitsui Trust Bank, Limited (Re-trust trustee: Custody Bank of Japan, Ltd.)
Beneficiaries	Those who satisfy the beneficiary requirements among Kubota Corporation’s Directors (and Mandated Executive Officers)
Trust administrator	Plan to select a third party independent from Kubota Corporation and its Directors
Exercise of voting rights	No voting rights pertaining to the shares in the Trust shall be exercised throughout the term of the Trust
Type of the trust	Cash in trust other than money trusts (with third-party beneficiaries)
Trust agreement date	May 2022 (plan)
Term of the trust	May 2022 – May 2027 (plan)

## 2) Maximum Number of the Company's Shares to Be Delivered Under the Plan

With respect to stock compensation, in accordance with the resolution of the 132<sup>nd</sup> Ordinary General Meeting of Shareholders, the maximum amount that Kubota Corporation contributes to the Trust for acquisition of the Company's shares has been determined to be ¥160 million for restricted stock unit and ¥740 million for performance share unit. In addition, maximum points that Kubota Corporation grants to each Director are 140,000 points for restricted stock unit and 630,000 points for performance share unit. One point is equal to one share of the Company's shares.

## 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 (¥)
Details on resolution at the Meeting of the Board of Directors held on April 20, 2021 (Term of validity: from April 21, 2021 to December 15, 2021)	11,000,000	¥ 20,000,000,000
Treasury shares acquired before the year ended December 31, 2021	—	—
Treasury shares acquired for the year ended December 31, 2021	8,135,400	19,999,862,150
Treasury shares not acquired for the year ended December 31, 2021	2,864,600	137,850
Percentage of remaining treasury shares not acquired as of December 31, 2021 (%)	26.0	0.0
Treasury shares acquired during the current period	—	—
Percentage of remaining treasury shares not acquired as of filing date (%)	26.0	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 (¥)
Treasury shares acquired for the year ended December 31, 2020	1,558	¥ 3,746,473
Treasury shares acquired during the current period	232	573,729

(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, 2022, to the filing date of this report.

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

Classification	Year ended December 31, 2021		Current period	
	Number of shares (shares)	Total disposition amount (¥)	Number of shares (shares)	Total disposition amount (¥)
Acquired treasury shares for which subscribers were solicited	111,336	¥ 184,418,064	—	¥ —
Acquired treasury shares which was retired	8,330,000	20,321,118,300	—	—
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)	90	149,116	33	80,707
<b>Total number of treasury shares held</b>	<b>2,268</b>	<b>—</b>	<b>2,467</b>	<b>—</b>

(Note)

The 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, 2022, to the filing date of this report.

### 3. Dividend Policy

Kubota Corporation's basic policy for the return of profit to shareholders is to maintain stable dividends and raise dividends. Kubota Corporation decides appropriate returns of retained earnings in consideration of requirements of maintaining sound business operations, as well as adapting to the future business environment.

Based on the above policy, ¥21 per share was declared as an interim dividend and ¥21 per share was declared as a year-end dividend for the current fiscal year, resulting in a total annual dividend of ¥42 per share.

In accordance with its basic policy, Kubota Corporation pays dividends twice a year, an interim dividend and a year-end dividend, with appropriation from retained earnings. Dividends are resolved at the 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 with record dates falling in the current fiscal year are as follows:

Date of resolution	Cash dividends (millions of yen)	Cash dividends per share (¥)
The Meeting of the Board of Directors on August 3, 2021	¥ 25,376	¥ 21.00
The Meeting of the Board of Directors on February 14, 2022	¥ 25,205	¥ 21.00

### 4. Corporate Governance

#### (1) Corporate Governance

##### 1) Basic Policy on Corporate Governance

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

##### 2) Corporate Governance Structure

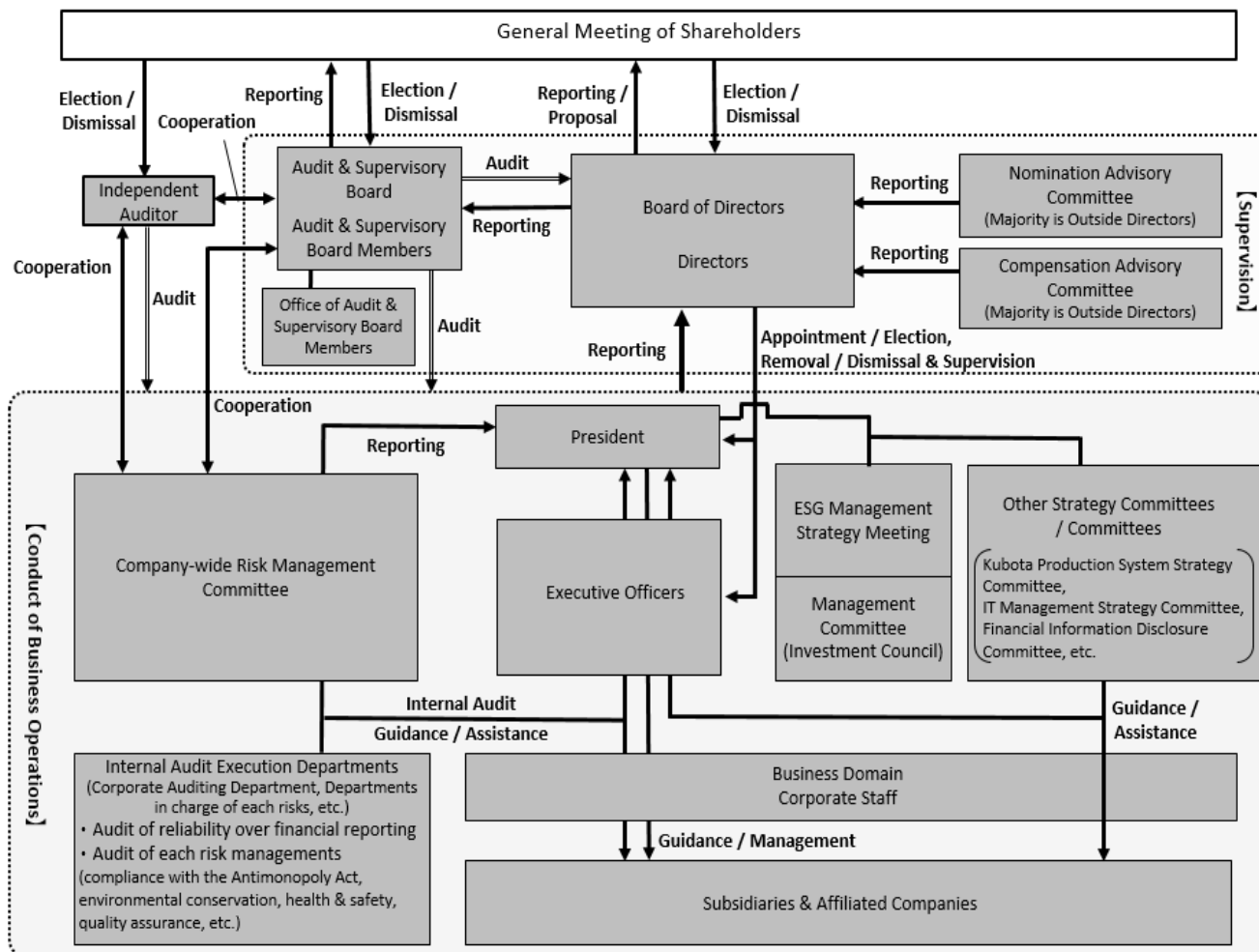
###### a) Outline of Corporate Governance Structure and Reasons for Such Structure

Kubota Corporation is basically a company with an Audit & Supervisory Board but also has a voluntary Nomination Advisory Committee and Compensation Advisory Committee.

Kubota Corporation has a wide range of business domain that includes the areas of food, water, and the environment. Considering the scope of this domain, Kubota Corporation believes that the most appropriate governance structure is one in which 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.

Kubota Corporation believes having the voluntary Nomination Advisory Committee and Compensation Advisory Committee, where a majority of members are Outside Directors, enables it to attain sustainable growth and increase its corporate value in the medium to long term while securing sound, efficient, and effective management.

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

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

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

Kubota Corporation has adopted the Executive Officer System in order to strengthen business execution by each area and workplace, and make prompt and appropriate business decisions.

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

The following table presents members of each meeting, committee, 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 Meeting	Management Committee	Investment Council
Chairman and Representative Director	Masatoshi Kimata	◎	○			○	○	
President and Representative Director	Yuichi Kitao	○	○			◎	◎	
Executive Vice President and Representative Director	Masato Yoshikawa	○	○	○		○	○	◎
Director	Toshihiko Kurosawa	○						
Director	Dai Watanabe	○				○	○	
Director	Hiroto Kimura	○				○	○	○
Outside Director (Independent Executive)	Yuzuru Matsuda	○	◎	◎				
Outside Director (Independent Executive)	Koichi Ina	○	○	○				
Outside Director (Independent Executive)	Yutaro Shintaku	○	○	○				
Outside Director (Independent Executive)	Kumi Arakane	○	○	○				
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	Eiji Yoshioka					○	○	
Executive Officer	Kazushi Ito					○	○	○
Executive Officer	Koichi Yamamoto					○	○	○
Executive Officer	Hideo Takigawa					○		○
Executive Officer	Other Executive Officers (Note)							

(Note)

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

#### b) Status of the Development of Internal Control System

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

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

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

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

Kubota Corporation manages risks related to compliance with laws and regulations, environment, health and safety, disasters, quality, and other risks related to the business performance of the entire Kubota Group by establishing the Department in Charge or relevant committees, which are supervised by the Company-wide Risk Management Committee, and by providing internal rules, regulations, and manuals and other guidelines to address such risks. In addition, the Company-wide Risk Management Committee designates a Department in Charge of responding to new risks that arise in the Kubota Group, 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, and the results of such audits are reported to the Directors in charge, the Chairman of the Company-Wide Risk Management Committee, the President and Representative Director, the Board of Directors, and the Audit & Supervisory Board Members.

Kubota Corporation manages its subsidiaries in accordance with the subsidiary management regulations it has established in order to maintain the appropriateness of their operations. The subsidiaries report the status of their business and the execution of the duties by their executives to the department in charge at Kubota Corporation. Kubota Corporation emphasizes the business connections between the subsidiaries and the operating divisions of Kubota Corporation and assigns the relevant departments to be departments primarily in charge of managing these subsidiaries. Kubota Corporation then receives reports on management planning and other matters from the subsidiaries and works to ensure the efficient execution of the duties of their Directors through discussions at 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 purchased directors and officers liability insurance (D&O insurance) for all of the Directors (including Outside Directors) and Audit & Supervisory Board Members (including Outside Audit & Supervisory Board Members) as the insured persons. The insurance policies 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 exclusions, such as no coverage for liability arising from actions taken with the knowledge that they were in violation of laws and regulations.

In addition, Kubota Corporation plans to renew the insurance policies with the above details at the time of renewal in November 2022.

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 shall, by resolution of Meetings of the Board of Directors, determine dividends of surplus and other matters set forth in the items of Article 459, paragraph 1 of the Act. This is 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: 14, Female: 2 (percentage of females among Directors and Audit & Supervisory Board Members: 13%)

Position	Responsibility	Name	Date of birth		Business experience	Term of office	Share ownership (thousands of shares)
Chairman and Representative Director of Kubota Corporation		Masatoshi Kimata	Jun. 22, 1951	Apr. 1977	Joined Kubota Corporation	Note 3	154
				Jun. 2005	Director of Kubota Corporation		
				Apr. 2007	Deputy General Manager of Sales Headquarters in Farm and Industrial Machinery Consolidated Division of Kubota Corporation		
				Apr. 2008	Managing Director of Kubota Corporation		
				Apr. 2009	Deputy General Manager of Farm and Industrial Machinery Consolidated Division, General Manager of Sales Headquarters in Farm and Industrial Machinery Consolidated Division of Kubota Corporation		
				Jul. 2010	Senior Managing Executive Officer of Kubota Corporation		
				Aug. 2010	President of SIAM KUBOTA Corporation Co., Ltd.		
				Jun. 2012	Director and Senior Managing Executive Officer of Kubota Corporation		
				Aug. 2012	Administrative Officer- Corporate Staff, General Manager of Water Engineering and Solution Division of Kubota Corporation		
				Apr. 2013	General Manager of Procurement Headquarters of Kubota Corporation		
				Apr. 2014	Executive Vice President and Representative Director of Kubota Corporation		
				Jul. 2014	President and Representative Director of Kubota Corporation		
				Jan. 2020	Chairman and Representative Director of Kubota Corporation (to present)		
Jun. 2021	Director of Nippon Telegraph and Telephone West Corporation (to present)						
President and Representative Director of Kubota Corporation		Yuichi Kitao	Jul. 15, 1956	Apr. 1979	Joined Kubota Corporation	Note 3	109
				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)		

Position	Responsibility	Name	Date of birth		Business experience	Term of office	Share ownership (thousands of shares)
Executive Vice President and Representative Director 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	60
				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)		
				Apr. 2019	General Manager of Global ICT Headquarters of Kubota Corporation (to present)		
				Jan. 2020	Executive Vice President and Director of Kubota Corporation		
Jan. 2022	Executive Vice President and Representative Director of Kubota Corporation (to present)						
Director of Kubota Corporation		Toshihiko Kurosawa	Aug. 14, 1955	Apr. 1979	Joined Kubota Corporation	Note 3	74
				Apr. 2010	Senior Executive Officer of Kubota Corporation		
				Apr. 2012	Deputy General Manager of Business Development Headquarters, General Manager of International Business Promotion Dept. of Kubota Corporation		
				Apr. 2013	General Manager of Strategic Business Promotion Dept. of Kubota Corporation		
				Apr. 2014	Managing Executive Officer, General Manager of Water Engineering and Solution Division of Kubota Corporation		
				Jan. 2018	Deputy General Manager of Water and Environmental Infrastructure Domain, General Manager of Environmental Solutions Division of Kubota Corporation		
				Jan. 2019	Senior Managing Executive Officer, General Manager of Water and Environment Infrastructure Consolidated Division of Kubota Corporation		
				Mar. 2019	Director and Senior Managing Executive Officer of Kubota Corporation		
				Apr. 2020	Deputy General Manager of Innovation Center		
Jan. 2022	Director 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 Farm and Industrial Machinery Consolidated Division, General Manager of Innovation Center	Dai Watanabe	Oct. 2, 1958	Apr. 1984	Joined Kubota Corporation	Note 3	76
				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		
				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 (to present)		
Jan. 2020	General Manager of Farm and Industrial Machinery Consolidated Division (to present), General Manager of Innovation Center (to present) of Kubota Corporation						
Director and Managing Executive Officer of Kubota Corporation	General Manager of Research and Development Headquarters, 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	24
				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 (to present)		
Director of Kubota Corporation		Yuzuru Matsuda	Jun. 25, 1948	Apr. 1977	Joined Kyowa Hakko Kogyo Co., Ltd. (currently, Kyowa Kirin Co., Ltd.)	Note 3	25
				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. 2014	Director of Kubota Corporation (to present)		
				Jun. 2014	Director of BANDAI NAMCO Holdings, Inc.		
				Jun. 2015	Director of JSR Corporation (to present)		
				Jun. 2019	Director Emeritus of Kato Memorial Bioscience Foundation (to present)		

Position	Responsibility	Name	Date of birth		Business experience	Term of office	Share ownership (thousands of shares)
Director of Kubota Corporation		Koichi Ina	May 6, 1948	Apr. 1973	Joined Toyota Motor Corporation	Note 3	22
	Jun. 2002			Board of Directors, 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)			
	Jul. 2020			Chairman of Central Japan Industries Association (to present)			
Director of Kubota Corporation		Yutaro Shintaku	Sep. 19, 1955	Apr. 1979	Joined Toa Nenryo Kogyo K.K. (currently, JXTG Nippon Oil & Energy Corporation)	Note 3	7
	Jan. 1999			Joined Terumo Corporation			
	Jun. 2006			Director and Executive Officer of Terumo Corporation			
	Jun. 2007			In charge of R&D Center, Intellectual Property Dept. and Legal Dept. of Terumo Corporation			
	Jun. 2009			Director and Managing Executive Officer, 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			
	Jun. 2017			Director of Santen Pharmaceutical Co., Ltd. (to present)			
	Jun. 2017			Director of J-Oil Mills, Inc. (to present)			
	Jun. 2017			Executive Trustee of Tonen International Scholarship Foundation (to present)			
	Mar. 2018			Director of Kubota Corporation (to present)			
	Apr. 2018			Visiting Professor of Hitotsubashi University Business School			
	Apr. 2019			Special Professor of Hitotsubashi University Business School (to present)			
	Sep. 2019			Director of KOZO KEIKAKU ENGINEERING Inc. (to present)			

Position	Responsibility	Name	Date of birth		Business experience	Term of office	Share ownership (thousands of shares)
Director of Kubota Corporation		Kumi Arakane	Jul. 4, 1956	Apr. 1981	Joined KOBAYASHI KOSÉ COMPANY LIMITED (currently, KOSÉ Corporation)	Note 3	6
				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)		
Audit & Supervisory Board Member of Kubota Corporation (Full time)		Toshikazu Fukuyama	Jun. 11, 1955	Apr. 1979	Joined Kubota Corporation	Note 4	17
				Oct. 2005	General Manager of Corporate Planning and Control Dept. of Kubota Corporation		
				Oct. 2009	Vice President of The Siam Kubota Industry Co., Ltd. (currently, SIAM KUBOTA Corporation Co., Ltd.), Director of Siam Kubota Leasing Co., Ltd.		
				Aug. 2010	Vice President of SIAM KUBOTA Corporation Co., Ltd., Director of Siam Kubota Leasing Co., Ltd.		
				Jun. 2014	Audit & Supervisory Board Member of Kubota Corporation (to present)		
Audit & Supervisory Board Member of Kubota Corporation (Full time)		Yasuhiko Hiyama	Dec. 25, 1957	Apr. 1981	Joined Kubota Corporation	Note 4	22
				Apr. 2008	President of Kubota Industrial Equipment Corporation		
				Apr. 2010	General Manager of Tractor Planning and Sales Promotion Dept. of Kubota Corporation		
				Apr. 2012	General Manager of Farm and Utility Machinery Planning and Sales Promotion Dept. of Kubota Corporation		
				Apr. 2014	General Manager of Farm and Utility Machinery Business Unit 1, General Manager of Farm and Utility Machinery Planning and Sales Promotion Dept. 1, General Manager of Farm and Utility Machinery Planning and Sales Promotion Dept. II of Kubota Corporation		
				Apr. 2015	General Manager of Tractor and Utility Machinery Business Unit of Kubota Corporation		
				Jan. 2016	Senior 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)		

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)		Masashi Tsunematsu	Mar. 10, 1964	Apr. 1986	Joined Kubota Corporation	Note 4	5
				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., General Manager of Environmental Business Planning and Sale Dept. of Kubota Corporation		
				Jan. 2020	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)		
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	2
				Mar. 1988	Registered as a Certified Public Accountant of Japan (to present)		
				Aug. 2003	Representative Partner of Asahi & Co. (currently, KPMG AZSA LLC)		
				Jun. 2008	Board Member of KPMG AZSA & Co. (currently, KPMG AZSA LLC)		
				Sep. 2011	Deputy Tokyo Office Managing Partner of KPMG AZSA LLC		
				Jul. 2015	Chairman of Tokyo Partnership Meeting of KPMG AZSA LLC		
				Jun. 2016	Audit & Supervisory Board Member of Japan Finance Corporation (to present)		
				Jul. 2016	Representative of Yuichi Yamada Certified Public Accountant Firm (to present)		
				Jun. 2017	Audit & Supervisory Board Member of Sumitomo Metal Mining Co., Ltd.		
				Mar. 2020	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)		Yuri Furusawa	Jul. 22, 1963	Apr. 1986	Joined the Ministry of Transport	Note 6	1
				Dec. 2000	Administrator of Organization for Economic Co-operation and Development (OECD)		
				Jul. 2004	Director for International Policy Planning, Ministry of Land, Infrastructure, Transport and Tourism		
				Jul. 2006	Director for International Affairs and Crisis Management Division, Japan Coast Guard		
				Jul. 2008	Counsellor, Cabinet Secretariat (Office of Assistant Chief Cabinet Secretary)		
				Aug. 2011	Deputy General Manager of International Sales Department, Shiseido Company, Limited		
				Jul. 2014	Assistant Vice-Minister for International Affairs, Ministry of Land, Infrastructure, Transport and Tourism		
				Sep. 2015	Vice-Commissioner of Japan Tourism Agency		
				Jun. 2016	Councillor, Cabinet Secretariat, Cabinet Bureau of Personnel Affairs		
				Jul. 2019	Minister's Secretariat, Ministry of Land, Infrastructure, Transport and Tourism		
Jul. 2019	Resigned from the Ministry of Land, Infrastructure, Transport and Tourism						
Mar. 2021	Audit & Supervisory Board Member of Kubota Corporation (to present)						
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 Show Law Office	Note 4	—
				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							610

(Notes)

1. Among the Directors, Yuzuru Matsuda, Koichi Ina, Yutaro Shintaku, and Kumi Arakane are the Outside Directors.
2. Among the Audit & Supervisory Board Members, 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, 2022, and began with the election at the Ordinary General Meeting of Shareholders for the year ended December 31, 2021.
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 one substitute Outside Audit & Supervisory Board Member as stipulated in Article 329, paragraph 3 of the Act in the event that the number of Outside Audit & Supervisory Board Member stipulated in the law is not met. Business experiences of the substitute Outside Audit & Supervisory Board Member is as follows:

Name	Date of birth		Business experience	Share ownership (thousands of shares)
Masaki Fujiwara	Dec. 23, 1953	Apr. 1977	Joined Matsushita Electric Industrial Co., Ltd. (currently, Panasonic Corporation)	10
		Jan. 2000	Director of Malaysia Matsushita Television Co., Ltd.	
		Nov. 2004	General Managers of Technical Accounting Center of Matsushita Electric Industrial Co., Ltd.	
		Dec. 2006	General Manager of Accounting Center of Panasonic AVC Network Company	
		May 2010	President and Representative Director of Panasonic Insurance Services Japan Co., Ltd.	
		Mar. 2014	Joined Sansha Electric Manufacturing Co., Ltd., Adviser of Sansha Electric Manufacturing Co., Ltd.	
		Jun. 2014	Director and Senior Managing Executive Officer of Sansha Electric Manufacturing Co., Ltd. (to present), General Manager of Administrative Division of Sansha Electric Manufacturing Co., Ltd.	
		Mar. 2018	Audit & Supervisory Board Member of Kubota Corporation	
		Apr. 2018	General Manager of Corporate Planning Divisions of Sansha Electric Manufacturing Co., Ltd. (to present)	

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

Position	Name	Responsibility
Senior Managing Executive Officer of Kubota Corporation	Yuji Tomiyama	Deputy General Manager of Farm and Industrial Machinery Consolidated Division
Senior Managing Executive Officer of Kubota Corporation	Kazuhiro Kimura	General Manager of Corporate Compliance and Risk Management Headquarters, General Manager of Human Resources and General Affairs Headquarters, In charge of ESG Promotion, General Manager of Head Office
Senior Managing Executive Officer of Kubota Corporation	Eiji Yoshioka	General Manager of Water and Environment Infrastructure Consolidated Division, Deputy General Manager of Innovation Center, General Manager of Tokyo Head Office
Senior Managing Executive Officer of Kubota Corporation	Nikhil Nanda	General Manager of Value-Innovative Farm and Industrial Machinery Strategy and Operations Department
Managing Executive Officer of Kubota Corporation	Yasuo Nakata	General Manager of Quality Assurance Headquarters
Managing Executive Officer of Kubota Corporation	Takao Shomura	General Manager of Harvester and Transplanter Division
Managing Executive Officer of Kubota Corporation	Kazunari Shimokawa	General Manager of Agricultural Implement Division
Managing Executive Officer of Kubota Corporation	Mutsuo Uchida	President of Kubota Construction Co.,Ltd.
Managing Executive Officer of Kubota Corporation	Nobuyuki Ishii	General Manager of Farm and Industrial Machinery Strategy and Operations Headquarters, General Manager of ASEAN Farm and Industrial Machinery Strategy and Operations Headquarters
Managing Executive Officer of Kubota Corporation	Kazuhiro Shinabe	Deputy General Manager of Water and Environment Infrastructure Consolidated Division, General Manager of Environmental Solutions Division
Managing Executive Officer of Kubota Corporation	Ryuichi Minami	Deputy General Manager of ASEAN Farm and Industrial Machinery Strategy and Operations Headquarters
Managing Executive Officer of Kubota Corporation	Yoshimitsu Ishibashi	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	Ryoji Kuroda	General Manager of Health and Safety Promotion Headquarters



Position	Name	Responsibility
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	Shingo Hanada	President of Kubota North America Corporation, President of Kubota Tractor Corporation
Senior Executive Officer of Kubota Corporation	Koichiro Kan	General Manager of Agricultural Tractor Division, President of Kubota Research & Development Europe S.A.S.
Senior Executive Officer of Kubota Corporation	Hirohiko Arai	Chairman of Kubota Manufacturing of America Corporation, President of Kubota Industrial Equipment Corporation
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	Mampey Yamamoto	General Manager of Procurement Headquarters, General Manager of Sakai Plant
Senior Executive Officer of Kubota Corporation	Nobushige Ichikawa	General Manager of Compact Tractor Division
Senior Executive Officer of Kubota Corporation	Shinichi Fukuhara	Deputy 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	General Manager of Farm and Industrial Machinery Strategy and Operations Department
Senior Executive Officer of Kubota Corporation	Takanobu Azuma	President of SIAM KUBOTA Corporation Co., Ltd.
Executive Officer of Kubota Corporation	Hideo Takigawa	General Manager of Corporate Planning and Control Dept., General Manager of Global Management 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	Deputy General Manager of Agricultural Tractor Division, General Manager of Agricultural Tractor Engineering Dept.
Executive Officer of Kubota Corporation	Koichi Nakagawa	Vice President of Kubota Environmental Service CO.,LTD.
Executive Officer of Kubota Corporation	Kazunori Tani	President of Kubota Agricultural Machinery (Suzhou) Co.,Ltd.
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.

## 2) Outside Directors and Outside Audit & Supervisory Board Members

Kubota Corporation elects four Outside Directors and three Outside Audit & Supervisory Board Members. In selecting candidates for the positions of the Outside Directors and the Outside Audit & Supervisory Board Members, Kubota Corporation considers 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 established policies related to criteria for independence when electing the Outside Directors by

reference to the rules for Independent Executives defined by the Tokyo Stock Exchange (TSE). Kubota Corporation elects those who have no conflict of interest with ordinary shareholders accordingly.

Yuzuru Matsuda has extensive experience in managing a comprehensive manufacture of biotechnology and offers a wide perspective on matters. He also offers a wide perspective as outside director of other companies. Since his assumption of office as Outside Director of Kubota Corporation in June 2014, he has been actively voicing his views from a managerial perspective at meetings of the Board of Directors, while also playing a proper role with respect to management oversight. He was elected as Outside Director based on the judgement that he has the ability to continue to contribute to strengthening supervisory functions of Kubota Corporation's Board of Directors. Kubota Corporation has no business relationship with Kato Memorial Bioscience Foundation and JSR Corporation, of which Mr. Matsuda 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.

Koichi Ina has extensive experience in managing an automotive manufacturer and offers a wide perspective on matters. He also has deep knowledge in the field of manufacturing as an engineer and from having been engaged in various management positions in plant operations. Since his assumption of office as Outside Director of Kubota Corporation in June 2015, he has been actively voicing his views mainly from a manufacturing perspective at meetings of the Board of Directors, while also playing a proper role with respect to management oversight. He was elected as Outside Director based on the judgement that he has the ability to continue to contribute to strengthening supervisory functions of Kubota Corporation's Board of Directors. Kubota Corporation has no business relationship with Sansha Electric Manufacturing Co., Ltd. and Central Japan Industries Association, of which Mr. Ina 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.

Yutaro Shintaku has experience and a record of accomplishments at having actively promoted global strategy acting as management of a medical device manufacturer. He also offers a wide perspective as outside director of other companies. Since his assumption of office as Outside Director of Kubota Corporation in March 2018, he has been actively voicing his views from a managerial perspective at meetings of the Board of Directors, while also playing a proper role with respect to management oversight. He was elected as Outside Director based on the judgement that he has the ability to continue to contribute to strengthening supervisory functions of Kubota Corporation's Board of Directors. Kubota Corporation has no business relationship with Santen Pharmaceutical Co., Ltd., J-Oil Mills, Inc., Tonen International Scholarship Foundation and Hitotsubashi University Business School, of which Mr. Shintaku currently holds important posts. Kubota Corporation has a business relationship with KOZO KEIKAKU ENGINEERING Inc., for which Mr. Shintaku currently holds important posts, however the amount arising from these transactions for the year ended December 31, 2021 was less than 0.01% of total consolidated revenue of both companies. 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's career at a cosmetics company provided her with the experience of being involved in corporate management as a Director, as well as being in charge of various areas of business including product development, research, quality control, and purchasing. Since her assumption of office as Outside Audit & Supervisory Board Member of Kubota Corporation in March 2019 and as Outside Director in March 2021, she has made significant contributions to the effectiveness of the Board of Directors by voicing her views from various perspectives at meetings of the Board of Directors. She was elected as Outside Director based on the judgement that she will continue to provide suggestions on overall management and has the ability to contribute to strengthening the corporate governance structure of Kubota Corporation. Kubota Corporation has no business relationship with Kagome Co., Ltd., and TODA CORPORATION, of which Ms. Arakane currently holds important posts. 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.

Yuichi Yamada has considerable knowledge relating to accounting and financial matters as a certified public accountant. He has gained extensive experience and record of accomplishments in corporate auditing while serving at a major audit firm, and possesses extensive expertise on auditing in general, such as through working as outside audit & supervisory board member for other companies. He was elected 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 experience in Japan and overseas in various roles working for central governmental agencies and possesses a broad perspective and extensive knowledge. Furthermore, she gained global experience through being involved in overseas business development at a company, and she was involved in reforming work styles and promoting the empowerment of women and diversity at the center of the government. She was elected 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 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 a wealth of knowledge in 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 for several companies. He was elected 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 Kyohei Law Office, of which Mr. Kimura 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.

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 as described in (3) *Status of Audit*, 1) *Status of Internal Audit and Audit by Audit & Supervisory Board Members*.

### (3) Status of Audit

#### 1) Status of Audit by Audit & Supervisory Board Members

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

Kubota Corporation established the Office of Audit & Supervisory Board Members and has assigned six employees to exclusively support the Audit & Supervisory Board Members in performing their duties. Those employees' independence is ensured as the employees' appointment and evaluation require a discussion with and consent from the Audit & Supervisory Board Members. 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 the 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 14 times for the year ended December 31, 2021, 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	14	100%
Audit & Supervisory Board Member of Kubota Corporation (Full time)	Yasuhiko Hiyama	14	100%
Audit & Supervisory Board Member of Kubota Corporation (Part time)	Masaki Fujiwara	14	100% (*1)
Audit & Supervisory Board Member of Kubota Corporation (Part time)	Yuichi Yamada	14	100%
Audit & Supervisory Board Member of Kubota Corporation (Part time)	Yuri Furusawa	11	100% (*2)

(Notes)

1. Mr. Masaki Fujiwara retired Outside Audit & Supervisory Board Member of Kubota Corporation at the conclusion of the Ordinary General Meeting of Shareholders held on March 18, 2022. Kubota Corporation has elected Mr. Masaki Fujiwara as a substitute Outside Audit & Supervisory Board Member at the Ordinary General Meeting of Shareholders held on March 18, 2022, in case of the number of Outside Audit & Supervisory Members falling below the number required by laws and regulations.
2. The attendance rate is calculated based on meetings held after appointment as Audit & Supervisory Member on March 19, 2021.

The main matters considered by the Audit & Supervisory Board include, but not limited to, the auditing policies and division of duties, status of the establishment 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 the subsidiaries, the Audit & Supervisory Board Members concurrently serve as Audit & Supervisory Board Members of major subsidiaries in Japan and audit the execution of management duties according to the auditing policies and plans established by the Audit & Supervisory Board. In addition, full-time Audit & Supervisory Board Members of subsidiaries are placed at some of the main subsidiaries in Japan in order to strengthen the monitoring system of the subsidiaries.

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

Due to the COVID-19, it was difficult to conduct on-site audits at overseas locations planned for the current fiscal year. However, the Audit & Supervisory Board was able to conduct appropriate audits through online meetings. The Audit & Supervisory Board will continue to utilize digital technology to carry out appropriate audits in cases where on-site audits are difficult.

## 2) Status of internal audit

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

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

In cases where it was difficult to conduct on-site internal audits in Japan and overseas locations due to COVID-19,

appropriate internal audits were conducted through online meetings. Internal audits will continue to be conducted appropriately utilizing digital technology in cases where on-site internal audits are difficult.

### 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. Hideaki Takagi

#### d) Composition of Assistants Involved in Audit Work

30 CPAs, 4 junior accountants, and 52 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 of the aforementioned points, the Kubota Corporation has reappointed DTT as its independent auditor for the year ended December 31, 2021.

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, 2021		Year ended December 31, 2020	
	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	¥ 290	¥ 2	¥ 285	¥ 4
Consolidated subsidiaries	37	9	23	2
Total	¥ 327	¥ 11	¥ 308	¥ 6

Non-audit services in fiscal years 2021 and 2020 include financial consultation services.

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

Company	Year ended December 31, 2021		Year ended December 31, 2020	
	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	¥ —	¥ 487	¥ —	¥ 713
Consolidated subsidiaries	649	287	602	290
Total	¥ 649	¥ 774	¥ 602	¥ 1,003

Non-audit services in fiscal year 2021 and 2020 include tax-related services and various advisory services

c) Details of Other Significant Fees

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) Matters Pertaining to the Policy for Determination of Remuneration, etc. and its Calculation Method for Directors and Executive Officers

The policy for determining amount and calculating method of remuneration for Directors and Executive Officers for the year ended December 31, 2021 is as follows.

##### (Basic policy regarding remuneration)

Kubota Corporation aims to have a remuneration plan that achieves sustainable and stable growth in the business areas of food, water, and the environment and sharing value with the shareholders. In order to increase fairness and transparency, this policy is determined at the meetings of the Board of Directors after it has been deliberated by the Compensation Advisory Committee.

The Compensation Advisory Committee is composed of Outside Directors, the Director in charge of secretarial affairs, and the Director in charge of financial affairs. In order to ensure fairness and transparency, majority of members of the committee are Outside Directors and a chairman is also appointed from the Outside Directors. One Outside Advisory & Supervisory Board Member attends the committee as an observer.

##### (Composition of remuneration and composition ratio thereof for Directors)

The remuneration for the Directors, excluding Outside Directors, consists of “basic remuneration,” which is set by corporate rank, “performance-linked remuneration (bonuses for the Directors)” which is a short-term incentive linked to performance of a single fiscal year, and “restricted stock compensation” which is regarded as a medium- to long-term incentives. The remuneration for the Outside Directors consists solely of “basic remuneration” considering the roles they play and the need to preserve their independence.

Directors, excluding Outside Directors, receives “basic remuneration,” “performance-linked remuneration” and “restricted stock compensation” amounting to approximately 45%, 40% and 15% of the total remuneration, respectively.

##### Basic remuneration

In addition to the “basic remuneration” set by corporate rank, Kubota Corporation pays an additional allowance for the Directors and the Representative Directors (eligible persons only). The basic remuneration is determined within the range of the maximum aggregate amount of remuneration approved at the General Meeting of Shareholders, in consideration of operating results and other factors. The individual basic remuneration is determined in March, and if a Director is promoted or demoted during a term of office, the basic remuneration for such Director is increased or decreased according to their corporate rank. Kubota Corporation has adopted an annual pay scheme from April every year to March of the following year. The annual amount is divided by 12 according to the payment calculation period for employees and paid on the same date as the payment date for employee salaries every month.

#### Performance-linked remuneration (bonuses for Directors) for a single fiscal year

Kubota Corporation does not fix the ratio of performance-linked remuneration, and it is designed so that the ratio of performance-linked remuneration to total remuneration for the Directors, excluding Outside Directors, increases as profit for the year increases, with the higher corporate rank, the higher the ratio of performance-linked remuneration.

Performance-linked remuneration is decided by determining a bonus table for each corporate rank in conjunction with “profit attributable to owner of the parent,” which is the indicator representing results of business activities and constitutes the source of funds for shareholder return, taking into consideration the degree of performance achievement in organizations of which the individual is in charge. The individual performance-linked remuneration is determined and paid in March after the total amount is approved at the Ordinary General Meeting of Shareholders.

#### Restricted stock compensation

Kubota Corporation has adopted the restricted stock compensation plan as an incentive for the Directors, excluding the Outside Directors, to continuously increase corporate value and to further promote shared value with shareholders. The restricted stock is granted by the payment date following the resolution at the Board of Directors’ meeting held in March to allocate the stock, and the transfer restriction period is from the payment date of the monetary compensation claims to the retirement date of the eligible Director from the position of Director or Executive Officer of Kubota Corporation. Under the restricted stock compensation plan, restricted stock is also granted to the Senior Managing Executive Officers and Managing Executive Officers who are not Directors.

#### (Procedure for determining the amount of remuneration)

In order to ensure fairness and transparency, the amount of remuneration of the Directors is decided by the meeting of the Board of Directors in light of the recommendation by the Compensation Advisory Committee. The Compensation Advisory Committee met eight times during the fiscal year and deliberated on the consistency of levels of compensation paid to the Directors, Executive Officers, and Advisers, and the adequacy of the stock compensation system. The adequacy of compensation levels is verified by the Compensation Advisory Committee, based on the management compensation database of major Japanese companies by an external specialized institution.

#### (Individual remuneration)

Regarding the remuneration paid to each Director, the determination of the specific amounts is delegated to the President and Representative Director based on a resolution of the Board of Directors in order to reflect a comprehensive evaluation of the business conditions. In addition, since the President and Representative Director determines the amounts within the range for total remuneration, etc. approved at the General Meeting of Shareholders and based on the standards deliberated by the Compensation Advisory Committee, the details of the remuneration, etc. paid to individual Directors are in accordance with the policy for determining remuneration, etc.

#### (Maximum remuneration amount of Directors and Executive Officers)

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

#### (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 aggregate 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 “basic remuneration” considering the roles they play and the need to preserve their independence. The maximum aggregate amount of remuneration for the Audit & Supervisory Board Members is set at ¥144 million or less per year at the 119<sup>th</sup> General Meeting of Shareholders held on June 19, 2009.

Currently, Kubota Corporation is committed to shift to business operations with ESG positioned at the core of management under the long-term vision “GMB2030,” with the aim of further strengthening the supervisory function of the Board of Directors (i.e., enhancing corporate governance). Under these circumstances, Kubota Corporation reviewed the remuneration plan for the Directors as responsibilities and expectations of the Directors are increasing. Following is the policy for determination of remuneration, etc. and its calculation method for the Directors and Executive Officers as of the submission date of this Annual Securities Report.

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

- 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 results based on financial performance indicators.
  - Accelerate K-ESG management initiatives by reflecting evaluation results of the progress of the K-ESG in remuneration of the Directors.
  - Encourage the Directors to hold shares of Kubota Corporation during their tenure and make them strongly aware of the need to sustainably improve corporate value through a remuneration system that is closely linked to shareholder value.
  - Set the levels of remuneration and performance linkage so that the Directors may receive remuneration that is equivalent to or greater than the standard remuneration at other GMB companies defined by Kubota Corporation, in line with the achievement of the performance targets and K-ESG, and improvement of corporate value.
- b) To achieve the purpose of the remuneration, transparency and objectivity must be ensured in the administration of the remuneration plan.
  - Decisions on the development and administration of remuneration policies shall be reviewed by the Compensation Advisory Committee, where a majority of members are Outside Directors, before being determined by the Board of Directors’ resolution.
  - In order to fulfill accountability for shareholders precisely, disclosure shall be made not limited to the scope required by laws and regulations, but also to facilitate shareholders’ understanding and dialogue with them.

(Remuneration structure)

a) Directors, excluding Outside Directors

The remuneration for the Directors, excluding Outside Directors, consists of basic remuneration, which is fixed, and performance-linked remuneration.

The composition ration of basic remuneration to performance-linked remuneration for the President and Representative Director is generally set at 1:2, to secure a high level of performance linkage suitable for a competitive remuneration level. As for the remuneration structure for the Directors other than the President and Representative Director, the Directors at a higher corporate rank earn a greater portion of performance-linked remuneration, given the size of their duties, etc. of each corporate rank. The 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	<p>[Fixed remuneration set in proportion to the size of duties by corporate rank, etc.]</p> <ul style="list-style-type: none"> <li>- The individual amount of basic remuneration shall be decided at the meeting of the Board of Directors based on the details of confirmation and deliberation by the Compensation Advisory Committee: the amount of total basic remuneration divided by 12 is paid monthly on the same pay day as employees’ salary.</li> </ul>



Annual bonus	<p>[Cash remuneration intended to encourage the achievement of business size and profitability-related performance targets set for each fiscal year and accelerate the K-ESG management efforts]</p> <ul style="list-style-type: none"> <li>- Consists of a portion linked to company-wide performance (50-70% of the bonus based on corporate rank), a portion of individual evaluation (10-30%), and portion of K-ESG evaluation (20%).</li> <li>- The portion linked to company-wide performance changes between 0% and 200% of the base amount in proportion to the degree of achievement in the targeted consolidated revenue and operating profit margin, which are key indicators under the Mid-Term Business Plan 2025.</li> <li>- The portion of individual evaluation changes between 0% and 200% of the base amount in proportion to the degree of achievement in strategic company-wide targets, specific targets in the efforts under the Mid-Term Business Plan 2025, financial targets for the area(s) the person is in charge of, etc. which are set at the beginning of the fiscal year based on individual responsibilities/jurisdiction.</li> <li>- The portion of K-ESG evaluation changes between 0% and 200% of the base amount in proportion to the degree of achievement in K-ESG promotion targets set at the beginning of the fiscal year.</li> <li>- The target setting in and the evaluation result of each evaluation category shall be decided at the meeting of the Board of Directors based on the details of confirmation and deliberation by the Compensation Advisory Committee: paid annually in March, in principle.</li> </ul>
Restricted stock unit	<p>[Stock compensation intended to encourage continued shareholding while in service / office, through which the sharing of and improvements in shareholder value are promoted]</p> <ul style="list-style-type: none"> <li>- The number of restricted stocks specified for each corporate rank shall be issued generally after the closing of each fiscal year, from the trust that sets Kubota Corporation as the entruster. In principle, the transfer restriction of issued share 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).</li> </ul>
Performance share unit	<p>[Stock compensation for the purpose of improving the shareholder value by achieving the medium- to long-term performance target]</p> <ul style="list-style-type: none"> <li>- Restricted stocks are generally issued after the end of each performance evaluation period from the trust that sets Kubota Corporation as the entruster, in accordance with the results of the financial evaluation of the three-year performance evaluation period. In principle, the transfer restriction of issued shares shall be lifted when Directors, etc. retire.</li> <li>- Return on invested capital (ROIC) on a net income basis is used as a financial evaluation indicator to encourage the maximization of corporate value over the medium to long term through efficient profit generation on invested capital. The number of shares to be issued in proportion to the degree of achievement changes between 0% and 200%.</li> </ul>

(Note)

Basic views, etc. on the evaluation indicators and targets for annual bonuses and performance share units shall be re-examined on an ongoing basis in response to changes in the management environment and others, through a review by the Compensation Advisory Committee. The performance share unit is considered to be one of the indicator for the K-ESG evaluation.

In accordance with the resolution of the 132nd Ordinary General Meeting of Shareholders held on March 18, 2022, Kubota Corporation introduced a performance-linked stock compensation plan using a trust. This plan is a stock

compensation plan by which a trust, established through the contribution of monies by Kubota Corporation, acquires Company's shares, and the number of Company's shares corresponding to the number of points to be granted by Kubota Corporation to each Director is delivered to each Director through the Trust. Consequently, Kubota Corporation has discontinued restricted stock compensation and granting restricted stocks under the previous plan.

b) Outside Directors

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

(Remuneration level)

In order to properly secure competitiveness in terms of compensation suitable for a GMB company, Kubota Corporation appropriately sets the level of remuneration for the Directors, excluding Outside Directors, based on their corporate ranks and duties, by using data on objective executive remuneration surveys conducted by an external specialized institution ("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 as a benchmark for comparison.

(Shareholding guideline)

For the purpose of deepening the level of shared value with its shareholders, Kubota Corporation encourages the Directors, excluding Outside Directors, to hold Kubota Corporation's stock basically as follows:

- President and Representative Director: stock worth three times the basic remuneration by five years from taking office
- Other Directors: stock 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 to be 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, etc. of a pre-issue points to receive shares, and all or part of the issued restricted stock and shares after the transfer restriction is lifted. The decision on claims for return, etc. and their details shall be reviewed by the Compensation Advisory Committee before being determined by the Board of Directors' resolution.

(Remuneration determination process)

The 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 whose members are Outside Directors.

The review by the Compensation Advisory Committee shall be attended or observed by a compensation advisor from WTW, an external specialized institution, where necessary, for the purpose of providing an objective point of view as well as expert knowledge and information concerning compensation plans.

(Maximum remuneration amount of the Directors)

In accordance with the resolution of the 132<sup>nd</sup> Ordinary General Meeting of Shareholders held on March 18, 2022, maximum amount of monetary remuneration payable to the Directors are ¥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.

With respect to stock compensation, in accordance with the resolution of the 132<sup>nd</sup> Ordinary General Meeting of Shareholders, the maximum amount that Kubota Corporation contributes to the trust for acquisition of the Company's shares has been determined to be ¥160 million per fixed point period for restricted stock unit and ¥740 million per fixed point period for performance share unit. In addition, maximum points that Kubota Corporation grants to each Director are 140,000 points per fixed point period for restricted stock unit and 630,000 points per fixed point period for performance share unit.

### (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 aggregate 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 “basic remuneration” considering the roles they play and the need to preserve their independence. The maximum aggregate amount of remuneration for the Audit & Supervisory Board Members is set at ¥250 million or less per year at the 132<sup>nd</sup> General Meeting of Shareholders held on March 18, 2022.

### 2) Compensation by Position

The aggregate compensation paid by Kubota Corporation for the year ended December 31, 2021, to the Directors and the Audit & Supervisory Board Members was as follows:

Position	Number of persons	Total amount of compensation (millions of yen)	Total amount by type (millions of yen)		
			Remunerations	Bonuses	Restricted stock compensation
Directors (excluding Outside Directors)	6	¥ 738	¥ 328	¥ 306	¥ 103
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	2	78	78	—	—
Outside Directors	4	63	63	—	—
Outside Audit & Supervisory Board Members	4	43	43	—	—

#### (Notes)

1. The amount of restricted stock compensation stated in the table above is the amount recognized as expense during the current fiscal year. The restricted stock compensation is a non-monetary compensation.
2. The above includes a compensation for a Director who has retired and an Outside Audit & Supervisory Board Member who has resigned at the conclusion of the 131<sup>st</sup> General Meeting of Shareholders held on March 19, 2021.

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

The aggregate compensation paid by the Company for the year ended December 31, 2021 to the Directors and the Audit & Supervisory Board Members was as follows:

Name	Total amount of consolidated compensation (millions of yen)	Position	Company	Total amount by type (millions of yen)		
				Remuneration	Bonuses	Restricted stock compensation
Masatoshi Kimata	¥ 213	Director	Kubota Corporation	¥ 89	¥ 94	¥ 30
Yuichi Kitao	213	Director	Kubota Corporation	89	94	30
Masato Yoshikawa	116	Director	Kubota Corporation	51	48	17

#### (Note)

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

## (5) Information on Shareholdings

### 1) Criteria for Classification of Investment Securities

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

### 2) Investment Securities Held for Purposes Other than Pure Investment

#### a) 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 meeting of the Board of Directors in order to verify appropriateness of holding these shares, taking into consideration the purpose of holding, benefits and risks associated with holding, 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, 2021, Kubota Corporation sold ¥3.8 billion of its equity securities.

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

	Number of issues (issuers)	Total amount recorded in balance sheets (millions of yen)
Unlisted shares	36	¥ 6,586
Other than unlisted shares	42	99,241

Increase in the number of shares held for the year ended December 31, 2021

	Number of issues (issuers)	Total amount acquired due to increase in number of shares held (millions of yen)	Reasons of increase
Unlisted shares	8	¥ 2,499	Investment for the pursuit of open innovation based on coordination with external partners
Other than unlisted shares	—	—	—

Decrease in the number of shares held for the year ended December 31, 2021

	Number of issues (issuers)	Total amount sold due to decrease in number of shares held (millions of yen)
Unlisted shares	1	¥ —
Other than unlisted shares	2	3,827

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 31,2021	As of December 31,2020	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)  Balance sheet amount (millions of yen)	Number of shares (thousands of shares)  Balance sheet amount (millions of yen)		
Escorts Ltd.	12,257	12,257	Held for the purpose of maintaining stable business relationships with the joint company and expansion in the Farm & Industrial Machinery business	N
	36,264	21,938		
Shin-Etsu Chemical Co., Ltd.	464	464	Held for the purpose of maintaining stable procurement in the Water & Environment business	Y
	9,254	8,381		
Daikin Industries, Ltd.	350	350	Held for the purpose of maintaining stable procurement in the Farm & Industrial Machinery business	Y
	9,147	8,035		

Issue	As of December 31,2021	As of December 31,2020	Purpose of holding, quantitative effect of holding, reason for increase in the number of shares held	Ownership of Kubota Corporation share:
	Number of shares (thousands of shares)	Number of shares (thousands of shares)		Y/N
	Balance sheet amount (millions of yen)	Balance sheet amount (millions of yen)		
Sumitomo Mitsui Trust Holdings, Inc.	2,261	2,261	Held for the purpose of maintaining stable funding	N (* )
	8,692	7,185		
Sumitomo Mitsui Financial Group, Inc.	1,745	1,745	Held for the purpose of maintaining stable funding	N (* )
	6,883	5,565		
Osaka Gas Co., Ltd.	3,125	3,125	Held for the purpose of maintaining and enhancing business relationships in the Water & Environment business	Y
	5,942	6,601		
Toho Gas Co., Ltd.	1,439	1,439	Held for the purpose of maintaining and enhancing business relationships in the Water & Environment business	Y
	4,216	9,831		
Mitsubishi UFJ Financial Group, Inc.	6,062	6,062	Held for the purpose of maintaining stable funding	N (* )
	3,788	2,765		
Mitsubishi Estate Co., Ltd.	1,052	1,052	Held for the purpose of maintaining and enhancing business relationships in the Water & Environment business	Y
	1,677	1,743		
SAIBU GAS HOLDINGS CO., LTD.	586	586	Held for the purpose of maintaining and enhancing business relationships in the Water & Environment business	Y
	1,246	1,823		
Yamazen Corporation	1,055	1,055	Held for the purpose of maintaining stable procurement in the Farm & Industrial Machinery business	Y
	1,135	1,089		
Denyo Co., Ltd.	500	500	Held for the purpose of maintaining and enhancing business relationships in the Farm & Industrial Machinery business	Y
	925	1,076		
FUJITEC CO., LTD.	322	322	Held for the purpose of maintaining and enhancing relationships in the local economy	Y
	811	717		
Sekisui House, Ltd.	324	324	Held for the purpose of maintaining and enhancing business relationships in the Water & Environment business	Y
	799	680		
Nankai Electric Railway Co., Ltd.	366	366	Held for the purpose of maintaining and enhancing relationships in the local economy	Y
	796	959		
Takasago Thermal Engineering Co., Ltd.	411	411	Held for the purpose of maintaining and enhancing business relationships in the Water & Environment business	Y
	779	643		
Keihanshin Building Co., Ltd.	447	447	Held for the purpose of maintaining and enhancing relationships in the local economy	Y
	698	831		
Mizuho Financial Group, Inc.	428	428	Held for the purpose of maintaining stable funding	N (* )
	627	560		
Kansai Paint Co., Ltd.	246	246	Held for the purpose of maintaining stable procurement in the Farm & Industrial Machinery business	Y
	615	781		
Keneka Corporation	138	138	Held for the purpose of maintaining stable procurement in the Water & Environment business	Y
	523	500		

Issue	As of December 31,2021	As of December 31,2020	Purpose of holding, quantitative effect of holding, reason for increase in the number of shares held	Ownership of Kubota Corporation share:
	Number of shares (thousands of shares)	Number of shares (thousands of shares)		Y/N
	Balance sheet amount (millions of yen)	Balance sheet amount (millions of yen)		
Takakita Co., Ltd.	660	660	Held for the purpose of maintaining stable procurement in the Farm & Industrial Machinery business	Y
	436	541		
NTN Corporation	1,616	1,616	As a result of examination, to be sold in light of the market environment	Y
	387	428		
TAKARA STANDARD CO., LTD.	266	266	As a result of examination, to be sold in light of the market environment	Y
	375	403		
JTEKT CORPORATION	357	357	Held for the purpose of maintaining stable procurement in the Farm & Industrial Machinery business	Y
	358	285		
SHINTOKOGIO, LTD.	485	485	Held for the purpose of maintaining stable procurement in the Farm & Industrial Machinery business	Y
	344	373		
Wakita & Co., LTD	300	300	Held for the purpose of maintaining and enhancing business relationships in the Farm & Industrial Machinery business	N
	322	316		
NOK CORPORATION	246	246	Held for the purpose of maintaining stable procurement in the Farm & Industrial Machinery business	Y
	308	273		
Mitsui Chemicals, Inc.	95	95	Held for the purpose of maintaining stable procurement in the Water & Environment business	Y
	294	288		
YOROZU CORPORATION	250	250	Held for the purpose of maintaining stable procurement in the Farm & Industrial Machinery business	Y
	268	259		
Obayashi Corporation	270	270	Held for the purpose of maintaining and enhancing business relationships in the Water & Environment business	Y
	240	240		
Yamato Kogyo Co., Ltd.	60	60	Held for the purpose of maintaining and enhancing business relationships in the Water & Environment business	N
	223	165		
Maruyama Mfg. Co., Inc.	95	95	Held for the purpose of maintaining stable procurement in the Farm & Industrial Machinery business	Y
	150	142		
NIKKATO CORPORATION	200	200	Held for the purpose of maintaining stable procurement in the Water & Environment business	Y
	141	152		
DAIICHI JITSUGYO CO., LTD.	24	24	Held for the purpose of maintaining stable procurement in the Water & Environment business	Y
	118	98		
SHIMIZU CORPORATION	138	138	Held for the purpose of maintaining and enhancing business relationships in the Water & Environment business	Y
	98	103		
YUASA TRADING CO., LTD.	27	27	Held for the purpose of maintaining and enhancing business relationships in the Farm & Industrial Machinery business	N
	81	91		
Daido Metal Co., Ltd.	120	120	Held for the purpose of maintaining stable procurement in the Farm & Industrial Machinery business	Y
	72	61		

Issue	As of	As of	Purpose of holding, quantitative effect of holding, reason for increase in the number of shares held	Ownership of Kubota Corporation share:
	December	December		
	31,2021	31,2020		
	Number of shares (thousands of shares)	Number of shares (thousands of shares)		
	Balance sheet amount (millions of yen)	Balance sheet amount (millions of yen)		Y/N
TODA CORPORATION	84	84	Held for the purpose of maintaining and enhancing business relationships in the Water & Environment business	Y
	61	57		
HOKUETSU INDUSTRIES CO., LTD.	50	50	Held for the purpose of maintaining and enhancing business relationships in the Farm & Industrial Machinery business	N
	50	52		
OKAYA & CO., LTD.	4	4	Held for the purpose of maintaining and enhancing business relationships in the Water & Environment business	Y
	38	32		
ASIA PILE HOLDING CORPORATION	55	55	Held for the purpose of maintaining and enhancing business relationships in the Water & Environment business	N
	24	26		
Kitagawa Corporation	11	11	Held for the purpose of maintaining stable procurement in the Farm & Industrial Machinery business	Y
	16	14		
Daiwa House Industry Co., Ltd.	—	609	All shares sold as a result of examination	N
	—	1,865		
Sumitomo Corporation	—	1,222	All shares sold as a result of examination	N
	—	1,668		

(Notes)

- Since it is difficult to state the quantitative effect of holding, such effects are not described. However, the appropriateness of holding shares is verified in accordance with the way described in 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* in this section.
- N (\*) indicates that the issuer does not hold Kubota Corporation's shares but its subsidiary does.

#### Deemed Shareholdings

Issue	As of	As of	Purpose of holding, quantitative effect of holding, reason for increase in the number of shares held	Ownership of Kubota Corporation share:
	December	December		
	31,2021	31,2020		
	Number of shares (thousands of shares)	Number of shares (thousands of shares)		
	Balance sheet amount (millions of yen)	Balance sheet amount (millions of yen)		Y/N
Shin-Etsu Chemical Co., Ltd.	620	620	Restriction on exercising its voting rights	Y
	12,350	11,184		
Sumitomo Mitsui Financial Group, Inc.	641	641	Restriction on exercising its voting rights	N (*)
	2,531	2,046		
Mizuho Financial Group, Inc.	1,720	1,720	Restriction on exercising its voting rights	N (*)
	2,516	2,249		
Mitsubishi UFJ Financial Group, Inc.	3,344	3,344	Restriction on exercising its voting rights	N (*)
	2,089	1,525		

Issue	As of December 31,2021	As of December 31,2020	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)		
Kaneka Corporation	207	207	Restriction on exercising its voting rights	Y
	784	750		
SCSK Corporation	102	34	Restriction on exercising its voting rights	N
	235	202		
Sumitomo Corporation	–	1,000	All shares sold as a result of examination	Y
	–	1,365		

(Notes)

1. Since it is difficult to state the quantitative effect of holding, such effects are not described. However, the appropriateness of holding shares is verified in accordance with the way described in 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* in this section.
2. Deemed shareholdings are held through a retirement benefit trust. The amounts stated in the *Balance sheet amount* column are calculated by multiplying market price as of the balance sheet date by the number of shares of related securities. The details of rights that Kubota Corporation holds to related securities are stated in the *Purpose of holding* column.
3. N (\*) indicates that the issuer does not hold Kubota Corporation's shares but its subsidiary does.
4. The number of shares of SCSK Corporation increased due to a stock split during the fiscal year ended December 31, 2021.

3) Equity Securities Held for Pure Investment

Not applicable.



## 5. Stock-Related Administration of Kubota Corporation

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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: <a href="http://www.kubota.co.jp">http://www.kubota.co.jp</a>
Special benefit for shareholders:	Not applicable

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(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, 2021, to the filing date of the Annual Securities Report.

(1)	Annual Securities Report and the attachments thereto, and Confirmation Letter	Fiscal Year (the 131 <sup>st</sup> business term)	From January 1, 2020 To December 31, 2020	Filed with the Director of the Kanto Local Finance Bureau on March 19, 2021
(2)	Internal Control Report and the attachments thereto	Fiscal Year (the 131 <sup>st</sup> business term)	From January 1, 2020 To December 31, 2020	Filed with the Director of the Kanto Local Finance Bureau on March 19, 2021
(3)	Quarterly Reports and Confirmation Letters	(First Quarter of the 132 <sup>nd</sup> business term)	From January 1, 2021 To March 31, 2021	Filed with the Director of the Kanto Local Finance Bureau on May 14, 2021
		(Second Quarter of the 132 <sup>nd</sup> business term)	From April 1, 2021 To June 30, 2021	Filed with the Director of the Kanto Local Finance Bureau on August 10, 2021
		(Third Quarter of the 132 <sup>nd</sup> business term)	From July 1, 2021 To September 30, 2021	Filed with the Director of the Kanto Local Finance Bureau on November 10, 2021
(4)	Extra Ordinary Report	Pursuant to Article 19, Paragraph 2, Item 9-2 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs (Results of Execution of Voting Rights at the General Meeting of Shareholders)		Filed with the Director of the Kanto Local Finance Bureau on March 22, 2021
		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 5, 2021
		Pursuant to Article 19, Paragraph 2, Item 8-2 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs (Determination of Acquisition of Subsidiary Company)		Filed with the Director of the Kanto Local Finance Bureau on November 18, 2021
(5)	Securities Registration Statements (issuance of new shares under the restricted stock compensation plan) and attachments thereto			Filed with the Director of the Kanto Local Finance Bureau on March 19, 2021
(6)	Revised Securities Registration Statements			Filed with the Director of the Kanto Local Finance Bureau on March 22, 2021
(7)	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 March 31, 2021
(8)	Amended Shelf Registration Statement (corporate bond certificates)			Filed with the Director of the Kanto Local Finance Bureau on November 18, 2021

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(9) Status Report of Acquisition of  
Treasury Stock

Filed with the Director of the Kanto  
Local Finance Bureau:

on May 12, 2021

on June 3, 2021

on July 5, 2021

on August 3, 2021

on September 3, 2021

on October 5, 2021

on November 5, 2021

on December 3, 2021

on January 7, 2022

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INDEX TO CONSOLIDATED FINANCIAL STATEMENTS OF KUBOTA CORPORATION AND ITS SUBSIDIARIES

Consolidated Statement of Financial Position (at December 31, 2021 and 2020).....	F-1
Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income (for the years ended December 31, 2021 and 2020).....	F-3
Consolidated Statement of Changes in Equity (for the years ended December 31, 2021 and 2020).....	F-4
Consolidated Statement of Cash Flows (for the years ended December 31, 2021 and 2020).....	F-5
Notes to Consolidated Financial Statements.....	F-6
Independent Auditor's Report (filed under the Financial Instruments and Exchange Act of Japan) (Translation).....	A-1
Confirmation Letter (Translation).....	A-6
Management's Report on Internal Control over Financial Reporting (Translation).....	A-8

# Consolidated Financial Statements

Kubota Corporation and Its Subsidiaries

## (1) Consolidated Statement of Financial Position

(Unit: millions of yen)

December 31:	Note	2021	2020
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	5	¥ 258,639	¥ 222,919
Trade receivables	6	574,349	592,027
Finance receivables	7, 13	380,865	317,626
Other financial assets	8	50,875	49,967
Inventories	9	510,065	373,998
Income taxes receivable		8,430	9,700
Other current assets		83,822	72,305
Total current assets		1,867,045	1,638,542
<b>Noncurrent assets:</b>			
Investments accounted for using the equity method	10	43,768	36,124
Finance receivables	7, 13	1,029,488	807,342
Other financial assets	8	154,781	138,583
Property, plant, and equipment	11, 13	496,312	424,672
Goodwill and intangible assets	12	95,884	72,539
Deferred tax assets	24	50,423	43,641
Other noncurrent assets	18	35,809	27,874
Total noncurrent assets		1,906,465	1,550,775
<b>Total assets</b>		¥ 3,773,510	¥ 3,189,317

(Unit: millions of yen)

December 31:	Note	2021	2020
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities:</b>			
Bonds and borrowings	14	¥ 504,335	¥ 366,038
Trade payables	15	392,331	323,607
Other financial liabilities	13, 16	96,740	87,445
Income taxes payable		33,546	14,676
Provisions	17	52,208	39,736
Other current liabilities	19	234,579	194,924
Total current liabilities		1,313,739	1,026,426
<b>Noncurrent liabilities:</b>			
Bonds and borrowings	14	590,174	508,398
Other financial liabilities	13, 16	33,375	31,537
Retirement benefit liabilities	18	14,899	16,144
Deferred tax liabilities	24	31,027	28,088
Other noncurrent liabilities	17, 19	5,323	4,539
Total noncurrent liabilities		674,798	588,706
<b>Total liabilities</b>		<b>1,988,537</b>	<b>1,615,132</b>
<b>Equity:</b>			
Equity attributable to owners of the parent:	20		
Share capital		84,130	84,130
Share premium		84,886	84,943
Retained earnings		1,439,560	1,325,764
Other components of equity		69,515	(18,162)
Treasury shares		(134)	(636)
Total equity attributable to owners of the parent		1,677,957	1,476,039
Noncontrolling interests		107,016	98,146
<b>Total equity</b>		<b>1,784,973</b>	<b>1,574,185</b>
<b>Total liabilities and equity</b>		<b>¥ 3,773,510</b>	<b>¥ 3,189,317</b>

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	2021	%	2020	%
Revenue	21	¥ 2,196,766	100.0	¥ 1,853,234	100.0
Cost of sales	9, 11, 12, 18	(1,564,960)		(1,318,384)	
Selling, general, and administrative expenses	11, 12, 18	(390,449)		(356,092)	
Other income	22	10,638		6,950	
Other expenses	22	(5,788)		(10,424)	
<b>Operating profit</b>		<b>246,207</b>	<b>11.2</b>	<b>175,284</b>	<b>9.5</b>
Finance income	23	9,341		12,294	
Finance costs	23	(2,989)		(1,679)	
<b>Profit before income taxes</b>		<b>252,559</b>	<b>11.5</b>	<b>185,899</b>	<b>10.0</b>
Income tax expenses	24	(64,869)		(47,027)	
Share of profits of investments accounted for using the equity method	10	3,042		2,528	
<b>Profit for the year</b>		<b>¥ 190,732</b>	<b>8.7</b>	<b>¥ 141,400</b>	<b>7.6</b>
<b>Profit attributable to:</b>					
Owners of the parent		¥ 175,637	8.0	¥ 128,524	6.9
Noncontrolling interests		¥ 15,095	0.7	¥ 12,876	0.7
<b>Earnings per share attributable to owners of the parent:</b>					
Basic	25	¥ 145.52		¥ 105.85	
Diluted		¥ —		¥ —	

Consolidated Statement of Comprehensive Income

(Unit: millions of yen)

Years ended December 31:	Note	2021	2020
<b>Profit for the year</b>		<b>¥ 190,732</b>	<b>¥ 141,400</b>
<b>Other comprehensive income, net of income tax:</b>	20		
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit pension plans		4,085	3,078
Net change in fair value of financial assets measured at fair value through other comprehensive income		12,682	(180)
Items that may be reclassified subsequently to profit or loss:			
Exchange rate differences on translating foreign operations		78,140	(38,949)
<b>Total other comprehensive income, net of income tax</b>		<b>94,907</b>	<b>(36,051)</b>
<b>Comprehensive income for the year</b>		<b>¥ 285,639</b>	<b>¥ 105,349</b>
<b>Comprehensive income attributable to:</b>			
Owners of the parent		¥ 270,034	¥ 96,656
Noncontrolling interests		¥ 15,605	¥ 8,693

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			
<b>Balance as of January 1, 2020</b>		¥ 84,130	¥ 84,671	¥ 1,238,824	¥ 35,849	¥ (637)	¥ 1,442,837	¥ 94,377	¥ 1,537,214
Profit for the year				128,524			128,524	12,876	141,400
Total other comprehensive income, net of income tax	20				(31,868)		(31,868)	(4,183)	(36,051)
<b>Comprehensive income for the year</b>				128,524	(31,868)		96,656	8,693	105,349
Transfer to retained earnings				22,158	(22,158)		—		—
Dividends paid	20			(43,853)			(43,853)	(4,503)	(48,356)
Purchases and sales of treasury shares						(20,002)	(20,002)		(20,002)
Retirement of treasury shares				(19,854)		19,854	—		—
Share-based payments with transfer restrictions			(4)	(35)		149	110		110
Changes in ownership interests in subsidiaries			276		15		291	(421)	(130)
<b>Balance as of December 31, 2020</b>		¥ 84,130	¥ 84,943	¥ 1,325,764	¥ (18,162)	¥ (636)	¥ 1,476,039	¥ 98,146	¥ 1,574,185
Profit for the year				175,637			175,637	15,095	190,732
Total other comprehensive income, net of income tax	20				94,397		94,397	510	94,907
<b>Comprehensive income for the year</b>				175,637	94,397		270,034	15,605	285,639
Transfer to retained earnings				6,718	(6,718)		—		—
Dividends paid	20			(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)
<b>Balance as of December 31, 2021</b>		¥ 84,130	¥ 84,886	¥ 1,439,560	¥ 69,515	¥ (134)	¥ 1,677,957	¥ 107,016	¥ 1,784,973

See notes to consolidated financial statements.



## (4) Consolidated Statement of Cash Flows

(Unit: millions of yen)

Years ended December 31:	Note	2021	2020
<b>Cash flows from operating activities:</b>			
Profit for the year		¥ 190,732	¥ 141,400
Depreciation and amortization		71,701	67,336
Finance income and costs		(6,455)	(10,218)
Income tax expenses		64,869	47,027
Share of profits of investments accounted for using the equity method		(3,042)	(2,528)
Decrease in trade receivables		30,366	71,497
Increase in finance receivables		(180,782)	(185,256)
(Increase) decrease in inventories		(109,017)	1,042
(Increase) decrease in other assets		(15,051)	12,482
Increase in trade payables		59,694	37,881
Increase in other liabilities		41,302	14,203
Net changes in retirement benefit assets and liabilities		(3,033)	1,838
Other, net		1,839	(1,772)
Interest received		2,071	4,013
Dividends received		2,234	2,414
Interest paid		(1,838)	(1,035)
Income taxes paid, net		(53,079)	(57,405)
Net cash provided by operating activities		92,511	142,919
<b>Cash flows from investing activities:</b>			
Payments for acquisition of property, plant, and equipment		(97,434)	(60,913)
Payments for acquisition of intangible assets		(28,289)	(23,840)
Proceeds from sales of property, plant, and equipment		4,294	8,051
Payments for acquisition of securities		(2,584)	(18,153)
Proceeds from sales and redemptions of securities		4,240	34,537
Payments for loans receivable to associates		(19,040)	(35,500)
Collection of loans receivable from associates		19,590	35,601
Payments for time deposits		(35,352)	(56,737)
Proceeds from withdrawal of time deposits		46,282	64,529
Net decrease (increase) in restricted cash		9,894	(435)
Payments for acquisition of short-term investments		(689)	(2,733)
Proceeds from sales and redemptions of short-term investments		–	10,378
Other, net		(28,232)	(1,918)
Net cash used in investing activities		(127,370)	(47,133)
<b>Cash flows from financing activities:</b>			
Funding from bonds and long-term borrowings	26	336,100	272,068
Redemptions of bonds and repayments of long-term borrowings	26	(283,146)	(233,935)
Net increase (decrease) in short-term borrowings	26	96,282	(25,629)
Repayments of lease liabilities	26	(19,096)	(14,618)
Dividends paid	20	(48,333)	(43,853)
Purchases of treasury shares		(20,003)	(20,002)
Other, net		(1,218)	(1,218)
Net cash used in financing activities		(60,586)	(68,354)
<b>Effect of exchange rate changes on cash and cash equivalents</b>		9,993	(4,178)
<b>Net decrease in cash and cash equivalents</b>		35,720	23,254
<b>Cash and cash equivalents, at the beginning of the year</b>	5	222,919	199,665
<b>Cash and cash equivalents, at the end of the year</b>	5	¥ 258,639	¥ 222,919

See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

Kubota Corporation and Its Subsidiaries

## 1. REPORTING ENTITY

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

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

## 2. BASIS OF FINANCIAL STATEMENTS

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### 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) Impairment of financial assets measured at amortized cost (refer to Note 3. SIGNIFICANT ACCOUNTING POLICIES, Financial Instruments and Note 27. FINANCIAL INSTRUMENTS)
- (b) Impairment of nonfinancial assets (refer to Note 3. SIGNIFICANT ACCOUNTING POLICIES, Impairment of Nonfinancial Assets and Note 11. PROPERTY, PLANT, AND EQUIPMENT and Note 12. GOODWILL AND INTANGIBLE ASSETS)
- (c) Measurement of provisions (refer to Note 3. SIGNIFICANT ACCOUNTING POLICIES, Provisions and Note 17. PROVISIONS)
- (d) Measurement of defined benefit liabilities (refer to Note 3. SIGNIFICANT ACCOUNTING POLICIES, Postemployment

Benefits and Note 18. EMPLOYEE BENEFITS)

(e) Contingent liabilities (refer to Note 30. COMMITMENTS AND CONTINGENT LIABILITIES)

Although the effect of COVID-19 is still unpredictable, the Company estimates the impact of COVID-19 on business activities will recover in the following fiscal year. Therefore, as of the end of the reporting period, COVID-19 has no material impact on the Company's accounting judgements, estimates, and assumptions.

### 3. SIGNIFICANT ACCOUNTING POLICIES

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#### **Basis of Consolidation**

##### (1) Subsidiaries and structured entities

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

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

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

##### (2) Associates and joint ventures

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

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

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

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

## **Foreign Currency Translation**

### **(1) Foreign currency transactions**

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

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

### **(2) Translation of foreign operations**

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

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

## **Financial Instruments**

### **(1) Financial assets (excluding derivatives)**

#### Initial recognition

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

#### Classification and subsequent measurement

Financial assets are classified as financial assets measured at amortized cost, debt financial assets measured at fair value through other comprehensive income, 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 deemed to be low at the end of the reporting period, the credit risk is deemed not to have significantly increased since the initial recognition, and an allowance for doubtful accounts is recognized for the 12-month expected credit losses. The Company considers that the credit risk on them has increased significantly since initial recognition 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, long-term trade accounts receivable, and lease receivables, an allowance for doubtful accounts is always recognized for the lifetime expected credit losses. The provision of an allowance for doubtful accounts or reversal of a previously recognized allowance is recognized in profit or loss, and included within selling, general, and administrative expenses. The Company directly writes off the gross carrying amount of receivables when the Company has no reasonable expectation of recovering the contractual cash flows from them. The Company defines a default on financial assets as a loss of the debtor's ability to repay.

#### (2) Financial liabilities (excluding derivatives)

##### Initial recognition

The Company initially recognizes financial liabilities 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 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.

#### **Intangible Assets**

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

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

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

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

Intangible assets with definite useful lives are amortized by the straight-line method over the estimated useful lives of

the assets. The estimated useful lives are mainly five years for software for internal use and capitalized development costs. Estimated useful lives and the amortization method are reviewed at least at each fiscal year end. Any changes in the useful life and amortization method are accounted for prospectively as a change in estimates.

## **Leases**

### As lessee

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

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

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.

### As lessor

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

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

## **Impairment of Nonfinancial Assets**

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

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

The recoverable amount of an individual asset or a CGU is the higher of the fair value less costs of disposal and value

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

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

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

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

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

### **Provisions**

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

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

### **Postemployment Benefits**

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

#### **(1) Defined benefit pension plans**

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

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

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

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

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

#### **(2) Defined contribution pension plans**

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



## **Revenue Recognition**

### **(1) Revenue from contracts with customers**

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

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

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

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

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

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

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

### **(2) Income from retail finance and finance leases**

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

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.

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

The following table presents major accounting standards and interpretations that were newly issued or amended prior to the date of approval of the consolidated financial statements but were not yet adopted by the Company as of December 31, 2021 as the standards and interpretations were not yet effective:

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

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

#### 4. SEGMENT INFORMATION

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

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

Beginning with the current consolidated fiscal year, in conformity with the change in the business structure of the Company, the amounts related to "Financial services business" are reported in the "Farm & Industrial Machinery" segment, whereas they were formerly reported in the "Other" segment. In addition, in conformity with the change in the management system of the Company, certain assets previously included in "Farm & Industrial Machinery," "Water & Environment," and "Other" segments are now included in corporate assets. The information for the same period in the prior year has been retrospectively adjusted to conform to the current fiscal year's presentation. Information by reportable segment is summarized as follows:

(Unit: millions of yen)

	Farm & Industrial Machinery	Water & Environment	Other	Adjustments	Consolidated
<b>Year ended December 31, 2021:</b>					
Revenue:					
External customers	¥ 1,864,803	¥ 305,380	¥ 26,583	¥ —	¥ 2,196,766
Intersegment	244	1,523	31,083	(32,850)	—
<b>Total</b>	<b>¥ 1,865,047</b>	<b>¥ 306,903</b>	<b>¥ 57,666</b>	<b>¥ (32,850)</b>	<b>¥ 2,196,766</b>
Operating profit	¥ 250,435	¥ 22,270	¥ 3,700	¥ (30,198)	¥ 246,207
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
<b>December 31, 2021:</b>					
Assets	¥ 3,115,567	¥ 291,059	¥ 78,490	¥ 288,394	¥ 3,773,510
Investments accounted for using the equity method	12,521	5,007	26,240	—	43,768
<b>Year ended December 31, 2020:</b>					
Revenue:					
External customers	¥ 1,509,089	¥ 315,774	¥ 28,371	¥ —	¥ 1,853,234
Intersegment	252	1,383	27,948	(29,583)	—
<b>Total</b>	<b>¥ 1,509,341</b>	<b>¥ 317,157</b>	<b>¥ 56,319</b>	<b>¥ (29,583)</b>	<b>¥ 1,853,234</b>
Operating profit	¥ 180,008	¥ 25,920	¥ 3,461	¥ (34,105)	¥ 175,284
Depreciation and amortization	50,735	7,379	4,394	4,828	67,336
Addition to noncurrent assets	78,467	9,057	6,686	16,010	110,220
<b>December 31, 2020:</b>					
Assets	¥ 2,595,496	¥ 287,919	¥ 78,752	¥ 227,150	¥ 3,189,317
Investments accounted for using the equity method	11,778	39	24,307	—	36,124

(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 ¥30,198 million and ¥34,105 million for the years ended December 31, 2021 and 2020, respectively. The corporate expenses included in *Adjustments* consist mainly of administration department expenses, basic research expenses, and foreign exchange gains or losses incurred by the Parent Company. The corporate assets included in *Adjustments* amounted to ¥317,016 million and ¥256,074 million at December 31, 2021 and 2020, respectively, which consists mainly of cash and cash equivalents, securities, and corporate properties held or used by the administration department of the Parent Company.

- 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.
- Intersegment transfers are recorded at values that approximate market prices.
- 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:	2021		2020	
<b>Farm &amp; Industrial Machinery:</b>				
Farm equipment and engines	¥	1,474,428	¥	1,219,168
Construction machinery		390,375		289,921
Subtotal		1,864,803		1,509,089
<b>Water &amp; Environment:</b>				
Pipe- and infrastructure-related products		184,584		193,090
Environment-related products		120,796		122,684
Subtotal		305,380		315,774
<b>Other</b>		26,583		28,371
Total	¥	2,196,766	¥	1,853,234

(Note)

Beginning with the current consolidated fiscal year, the amounts related to "Financial services business" are reported in the "Farm & Industrial Machinery" segment, whereas they were formerly reported in the "Other" segment. The information for the same period in the prior year has been retrospectively adjusted to conform to the current fiscal year's presentation.

### Geographic Information

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

(Unit: millions of yen)				
Years ended December 31:	2021		2020	
Japan	¥	602,783	¥	595,188
North America		819,813		647,158
Europe		285,651		217,720
Asia outside Japan		406,884		334,186
Other areas		81,635		58,982
Total	¥	2,196,766	¥	1,853,234

(Notes)

- Revenue from North America includes that from the United States of ¥721,398 million and ¥586,705 million for the years ended December 31, 2021 and 2020, 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:	2021		2020	
Japan	¥	378,632	¥	324,173
North America		110,289		78,029
Europe		55,305		50,704
Asia outside Japan		60,940		56,545
Other areas		3,649		3,900
Total	¥	608,815	¥	513,351

(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 ¥92,900 million and ¥71,322 million as of December 31, 2021 and 2020, respectively.

## 5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are composed of the following:

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

(Unit: millions of yen)

<b>December 31:</b>		<b>2021</b>		<b>2020</b>
Cash and deposits	¥	207,681	¥	182,638
Short-term investments		50,958		40,281
Total	¥	258,639	¥	222,919

(Note)

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

## 6. TRADE RECEIVABLES

Trade receivables are composed of the following:

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

(Unit: millions of yen)

<b>December 31:</b>		<b>2021</b>		<b>2020</b>
Trade notes	¥	85,019	¥	84,470
Trade accounts receivable		492,388		510,365
Allowance for doubtful accounts		(3,058)		(2,808)
Total	¥	574,349	¥	592,027

## 7. FINANCE RECEIVABLES

Finance receivables are composed of the following:

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

(Unit: millions of yen)

<b>December 31:</b>		<b>2021</b>		<b>2020</b>
Retail finance receivables	¥	1,083,738	¥	836,306
Finance lease receivables		347,286		312,791
Allowance for doubtful accounts		(20,671)		(24,129)
Total	¥	1,410,353	¥	1,124,968
Current assets		380,865		317,626
Noncurrent assets		1,029,488		807,342

## 8. OTHER FINANCIAL ASSETS

Other financial assets are composed of the following:

	(Unit: millions of yen)	
December 31:	2021	2020
Financial assets measured at amortized cost:		
Long-term trade accounts receivable	¥ 37,013	¥ 37,873
Time deposits	12,054	22,063
Restricted cash*	5,651	13,177
Others	33,709	16,599
Financial assets measured at fair value through other comprehensive income:		
Debt financial assets	686	-
Equity financial assets	106,328	97,906
Financial assets measured at fair value through profit or loss:		
Debt financial assets	5,245	-
Derivatives	4,970	932
Total	¥ 205,656	¥ 188,550
Current assets	50,875	49,967
Noncurrent assets	154,781	138,583

(Note)

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

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

	(Unit: millions of yen)	
Issue	2021	2020
Escorts Ltd.	¥ 36,264	¥ 21,938
Shin-Etsu Chemical Co., Ltd.	9,255	8,381
Daikin Industries, Ltd.	9,147	8,036
Sumitomo Mitsui Trust Holdings, Inc.	8,695	7,189
Sumitomo Mitsui Financial Group, Inc.	6,884	5,566
Osaka Gas Co., Ltd.	5,942	6,602
Toho Gas Co., Ltd.	4,216	9,831
Mitsubishi UFJ Financial Group, Inc.	3,789	2,767
Hulic Co., Ltd.	2,184	2,266
AKTIO Corporation	1,930	780
Others	18,022	24,550

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

	(Unit: millions of yen)	
Years ended December 31:	2021	2020
Fair value as of derecognition	¥ 4,240	¥ 34,537
Accumulated gains (losses)	3,810	27,534

## 9. INVENTORIES

Inventories are composed of the following:

(Unit: millions of yen)

<b>December 31:</b>		<b>2021</b>		<b>2020</b>
Finished products	¥	300,041	¥	213,205
Spare parts		74,090		61,476
Work in process		61,793		50,641
Raw materials and supplies		74,141		48,676
Total	¥	510,065	¥	373,998

Inventories recognized as an expense for the years ended December 31, 2021 and 2020, were ¥1,435,255 million and ¥1,198,396 million, respectively. The write-downs of inventories recognized as an expense for the years ended December 31, 2021 and 2020, were ¥1,746 million and ¥2,197 million, respectively.

## 10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

### Investments in and Loans Receivable from Associates and Transactions with Associates

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

(Unit: millions of yen)

<b>December 31:</b>		<b>2021</b>		<b>2020</b>
Trade receivables	¥	18,301	¥	17,564
Loans receivable		1,550		1,650
Investments		17,501		11,790
Deposits received		6,652		2,637

Aggregate revenue from associates was ¥50,426 million and ¥47,038 million for the years ended December 31, 2021 and 2020, 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 ¥902 million and ¥876 million for the years ended December 31, 2021 and 2020, 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)

<b>December 31:</b>		<b>2021</b>		<b>2020</b>
Trade receivables	¥	519	¥	464
Loans receivable		—		—
Investments		26,267		24,334
Deposits received		11,029		9,817

Aggregate revenue from joint ventures was ¥5,521 million and ¥5,315 million for the years ended December 31, 2021 and 2020, 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 ¥2,140 million and ¥1,652 million for the years ended December 31, 2021 and 2020, respectively.

## 11. PROPERTY, PLANT, AND EQUIPMENT

### Reconciliation

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

### Acquisition Costs

(Unit: millions of yen)

	Land	Buildings and structures	Machinery and equipment	Construction in progress	Total
<b>January 1, 2020</b>	¥ 102,205	¥ 366,765	¥ 555,223	¥ 19,864	¥ 1,044,057
Acquisition	565	16,913	19,445	54,045	90,968
Sales or disposal	(580)	(6,049)	(29,653)	(44)	(36,326)
Exchange rate differences on foreign currencies	(644)	(3,017)	(5,445)	(67)	(9,173)
Transfers between accounts	2,147	7,335	29,515	(38,997)	—
Others	371	(172)	2,826	(1,611)	1,414
<b>December 31, 2020</b>	¥ 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)
<b>December 31, 2021</b>	¥ 107,894	¥ 424,142	¥ 617,491	¥ 59,365	¥ 1,208,892

### Accumulated Depreciation and Accumulated Impairment Losses

(Unit: millions of yen)

	Land	Buildings and structures	Machinery and equipment	Construction in progress	Total
<b>January 1, 2020</b>	¥ 1,094	¥ 206,463	¥ 431,151	¥ —	¥ 638,708
Depreciation	304	20,254	34,948	—	55,506
Impairment losses	—	77	345	—	422
Sales or disposal	(19)	(3,259)	(24,434)	—	(27,712)
Exchange rate differences on foreign currencies	(2)	(786)	(3,684)	—	(4,472)
Others	60	224	3,532	—	3,816
<b>December 31, 2020</b>	¥ 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
<b>December 31, 2021</b>	¥ 1,684	¥ 239,632	¥ 471,201	¥ 63	¥ 712,580

### Balances of Carrying Amount

(Unit: millions of yen)

	Land	Buildings and structures	Machinery and equipment	Construction in progress	Total
<b>January 1, 2020</b>	¥ 101,111	¥ 160,302	¥ 124,072	¥ 19,864	¥ 405,349
<b>December 31, 2020</b>	¥ 102,627	¥ 158,802	¥ 130,053	¥ 33,190	¥ 424,672
<b>December 31, 2021</b>	¥ 106,210	¥ 184,510	¥ 146,290	¥ 59,302	¥ 496,312

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



## 12. GOODWILL AND INTANGIBLE ASSETS

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

### Acquisition Costs

(Unit: millions of yen)

	Software	Intangible assets through business combination	Capitalized development costs	Other	Total
<b>January 1, 2020</b>	¥ 45,588	¥ 32,373	¥ 23,781	¥ 11,101	¥ 112,843
Acquisition	14,329	—	—	344	14,673
Internal development	2,287	—	6,814	—	9,101
Sales and disposal	(4,128)	(270)	(355)	(278)	(5,031)
Exchange rate differences on foreign currencies	(307)	(444)	259	8	(484)
Others	1,007	—	(921)	(316)	(230)
<b>December 31, 2020</b>	¥ 58,776	¥ 31,659	¥ 29,578	¥ 10,859	¥ 130,872
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	6,914
Exchange rate differences on foreign currencies	1,083	2,106	257	875	4,321
Others	2,547	—	(70)	(1,022)	1,455
<b>December 31, 2021</b>	¥ 76,420	¥ 33,765	¥ 35,555	¥ 18,037	¥ 163,777

### Accumulated Amortization and Accumulated Impairment Losses

(Unit: millions of yen)

	Software	Intangible assets through business combination	Capitalized development costs	Other	Total
<b>January 1, 2020</b>	¥ 22,298	¥ 16,358	¥ 6,898	¥ 6,303	¥ 51,857
Amortization	5,892	1,671	3,755	512	11,830
Sales and disposal	(3,888)	(270)	(260)	(277)	(4,695)
Exchange rate differences on foreign currencies	(103)	168	150	59	274
Others	(1,075)	—	43	99	(933)
<b>December 31, 2020</b>	¥ 23,124	¥ 17,927	¥ 10,586	¥ 6,696	¥ 58,333
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	465	956	146	371	1,938
Others	(787)	—	607	28	(152)
<b>December 31, 2021</b>	¥ 25,323	¥ 20,610	¥ 14,953	¥ 7,007	¥ 67,893

### Balances of Carrying Amount

(Unit: millions of yen)

	Software	Intangible assets through business combination	Capitalized development costs	Other	Total
<b>January 1, 2020</b>	¥ 23,290	¥ 16,015	¥ 16,883	¥ 4,798	¥ 60,986
<b>December 31, 2020</b>	¥ 35,652	¥ 13,732	¥ 18,992	¥ 4,163	¥ 72,539
<b>December 31, 2021</b>	¥ 51,097	¥ 13,155	¥ 20,602	¥ 11,030	¥ 95,884

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 during the years:

(Unit: millions of yen)

<b>Years ended December 31:</b>	<b>2021</b>		<b>2020</b>	
Amounts incurred	¥	67,469	¥	58,394
Amounts transferred to capitalized development costs		(7,106)		(6,814)
Capitalized development costs amortized		4,925		3,755
<b>Total</b>	<b>¥</b>	<b>65,288</b>	<b>¥</b>	<b>55,335</b>

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

(Unit: millions of yen)

	<b>December 31, 2021</b>		<b>December 31, 2020</b>	
Farm & Industrial Machinery	¥	3,441	¥	3,298

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 the next five years approved by management are calculated by using the market growth rate (from 2.1% to 3.0%), considering the long-term average growth rate in each country or market in which the CGU belongs. The discount rate is based on the pre-tax weighted average cost of capital on each of CGUs (from 8.3% to 9.0%).

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

Since the initial accounting for the business combination has not been completed, the amount of goodwill and intangible assets with indefinite useful lives that have not been allocated to CGU is not material.

### 13. LEASES

#### As Lessee

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

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

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

(Unit: millions of yen)

		<b>Land</b>	<b>Buildings and structures</b>	<b>Machinery and equipment and others</b>	<b>Total</b>
<b>January 1, 2020</b>	¥	3,866	¥ 31,424	¥ 9,893	¥ 45,183
Increase		318	14,172	5,695	20,185
Depreciation		(365)	(11,152)	(3,991)	(15,508)
Decrease		(17)	(2,132)	(1,036)	(3,185)
<b>December 31, 2020</b>	<b>¥</b>	<b>3,802</b>	<b>¥ 32,312</b>	<b>¥ 10,561</b>	<b>¥ 46,675</b>
Increase		660	15,965	12,097	28,722
Depreciation		(236)	(11,495)	(4,400)	(16,131)
Decrease		—	(1,050)	(1,158)	(2,208)
<b>December 31, 2021</b>	<b>¥</b>	<b>4,226</b>	<b>¥ 35,732</b>	<b>¥ 17,100</b>	<b>¥ 57,058</b>

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

(Unit: millions of yen)

<b>Year ended December 31:</b>	<b>2021</b>		<b>2020</b>	
Interest expense related to lease liabilities	¥	101	¥	197
Expenses related to short-term leases		462		200
Expenses related to leases of low-value assets		1,882		1,586

Total cash outflows for leases was ¥21,541 million and ¥16,601 million for the year ended December 31, 2021 and 2020, 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, 2021 and 2020:

(Unit: millions of yen)

<b>December 31:</b>	<b>2021</b>		<b>2020</b>	
Within 1 year	¥	16,374	¥	14,672
Between 1 and 5 years		28,266		24,182
Later than 5 years		3,296		3,771
Undiscounted lease liabilities	¥	47,936	¥	42,625
Less:				
Interest equivalent		(473)		(497)
Present value of lease liabilities	¥	47,463	¥	42,128

#### As Lessor

The Company provides finance leases to end users related to the Company's products, such as farm equipment, and others. The Company regularly monitors risks related to underlying assets and accumulates sales information in the used market in order to mitigate risks.

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

(Unit: millions of yen)

<b>Years ended December 31:</b>	<b>2021</b>		<b>2020</b>	
Finance income on the net investment in the lease	¥	28,368	¥	24,422

The following table presents maturity analyses for lease receivables

(Unit: millions of yen)

<b>Years ended December 31:</b>	<b>2021</b>		<b>2020</b>	
Within 1 year	¥	119,123	¥	116,746
Between 1 and 2 years		102,796		88,163
Between 2 and 3 years		75,735		65,690
Between 3 and 4 years		54,981		49,495
Between 4 and 5 years		34,981		30,450
Later than 5 years		25,646		19,424
Undiscounted lease receivables	¥	413,262	¥	369,968
Less:				
Unearned finance income		(65,976)		(57,177)
Net investment in the lease	¥	347,286	¥	312,791

## 14. BONDS AND BORROWINGS

### Bonds and Borrowings

Bonds and borrowings are composed of the following:

(Unit: millions of yen)

December 31:	2021	2020
Short-term borrowings* <sup>1</sup>	¥ 263,242	¥ 157,900
Long-term borrowings* <sup>2</sup>	831,267	716,536
Total	¥ 1,094,509	¥ 874,436
Current liabilities	504,335	366,038
Noncurrent liabilities	590,174	508,398

(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, 2021, was 0.43%.
- \*2. Long-term borrowings include their current portions.

Long-term borrowings (including current portions) are composed of the following:

(Unit: millions of yen)

December 31:	2021	2020
<b>Long-term borrowings maturing on various dates through 2026 (1.50%):</b>		
Secured	265,945	189,075
Unsecured	565,322	527,461
Total	¥ 831,267	¥ 716,536
Current portion	241,093	208,138

(Note)

An interest rate in the parentheses is that of the weighted-average interest rate at December 31, 2021.

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:	2021	2020
Trade receivables	¥ 17	¥ 187
Finance receivables (current)* <sup>1</sup>	114,140	86,278
Other financial assets (current) * <sup>2</sup>	4,011	12,981
Finance receivables (noncurrent)* <sup>1</sup>	191,908	128,827
Property, plant, and equipment	931	1,364
Total	¥ 311,007	¥ 229,637

(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.

## 15. TRADE PAYABLES

Trade payables are composed of the following:

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

(Unit: millions of yen)

<b>December 31:</b>		<b>2021</b>		<b>2020</b>
Trade notes payable	¥	245,836	¥	196,520
Trade accounts payable		146,495		127,087
Total	¥	392,331	¥	323,607

## 16. OTHER FINANCIAL LIABILITIES

Other financial liabilities are composed of the following:

(Unit: millions of yen)

<b>December 31:</b>		<b>2021</b>		<b>2020</b>
Financial liabilities measured at amortized cost:				
Lease liabilities	¥	47,463	¥	42,128
Notes and accounts payable for capital expenditures		37,072		35,184
Deposits received		27,922		22,627
Others		12,361		13,474
Financial liabilities measured at fair value through profit or loss:				
Derivatives		5,297		5,569
Total	¥	130,115	¥	118,982
Current liabilities		96,740		87,445
Noncurrent liabilities		33,375		31,537

## 17. PROVISIONS

The following table presents a reconciliation of provisions by items:

(Unit: millions of yen)

	Product warranty		Other provisions		Total
	¥		¥		¥
<b>January 1, 2021</b>		35,281		5,718	40,999
Additions		37,228		2,733	39,961
Utilized		(24,472)		(3,159)	(27,631)
Reversal		(1,342)		(59)	(1,401)
Others		1,874		(216)	1,658
<b>December 31, 2021</b>	¥	48,569	¥	5,017	53,586

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)

<b>December 31:</b>		<b>2021</b>		<b>2020</b>
Current liabilities	¥	52,208	¥	39,736
Noncurrent liabilities		1,378		1,263
Total	¥	53,586	¥	40,999

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

## 18. EMPLOYEE BENEFITS

### Postemployment Benefits

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

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

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

In November 2021, the Parent Company decided to extend mandatory retirement age of some employees from 60 to 65, and to revise the defined benefit corporate pension plans and retirement allowance plans on April 1, 2022, in order to diversify employment options for employees. In addition, part of the defined benefit corporate pension plans will be terminated and the past accumulations will be transferred to a defined contribution plan.

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. The prior service cost recognized in profit or loss for the year ended December 31, 2021 was ¥5,547 million while cost of sales and selling, general, and administrative expenses in the consolidated statements of profit or loss were reduced by ¥3,933 million and ¥1,614 million, respectively.

#### (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)

<b>December 31:</b>		<b>2021</b>		<b>2020</b>
Present value of defined benefit obligation	¥	232,588	¥	234,192
Fair value of plan assets		243,722		232,086
Effect of asset ceiling		6,843		2,304
Net defined pension liabilities	¥	(4,291)	¥	4,410
Amount recognized in the consolidated statement of financial position:				
Other noncurrent assets	¥	19,190	¥	11,734
Retirement benefit liabilities		14,899		16,144
Net amount recognized in the consolidated statement of financial position	¥	(4,291)	¥	4,410

(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)

<b>Years ended December 31:</b>		<b>2021</b>		<b>2020</b>
Balance at the beginning of the year	¥	234,192	¥	227,948
Service costs		10,131		11,091
Interest costs		1,771		1,493
Past service costs		(5,547)		—
Remeasurement of defined benefit obligation:				
Actuarial gains and losses arising from changes in demographic assumptions		(6)		4,406
Actuarial gains and losses arising from changes in financial assumptions		(828)		(2,226)
Others		1,662		1,351
Benefits paid (lump-sum payment)		(4,077)		(3,687)
Benefits paid (annuity payment)		(5,924)		(5,860)
Changes in scope of consolidation		—		(57)
Exchange rate differences on foreign currencies		1,214		(267)
Balance at the end of the year	¥	232,588	¥	234,192

The weighted-average duration of defined benefit obligation at December 31, 2021 and 2020, was 17 years and 16 years, respectively.

(3) Fair value of plan assets

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

(Unit: millions of yen)

<b>Years ended December 31:</b>		<b>2021</b>		<b>2020</b>
Balance at the beginning of the year	¥	232,086	¥	222,644
Interest income		1,874		1,689
Return from remeasurement of plan assets		11,474		8,289
Employer contributions		4,797		6,742
Benefits paid (lump-sum payment)		(1,576)		(1,384)
Benefits paid (annuity payment)		(5,924)		(5,860)
Exchange rate differences on foreign currencies		991		(34)
Balance at the end of the year	¥	243,722	¥	232,086

The Company plans to make contributions of ¥6,300 million to the defined benefit corporate pension plan for the year ending December 31, 2022.

(4) Effect of asset ceiling

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

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

(Unit: millions of yen)

<b>Years ended December 31:</b>		<b>2021</b>		<b>2020</b>
Balance at the beginning of the year	¥	2,304	¥	1,554
Interest income		88		1
Remeasurement of defined benefit pension plan:				
Changes in effect of asset ceiling		4,451		749
Balance at the end of the year	¥	6,843	¥	2,304

(5) Actuarial assumptions

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

<b>December 31:</b>	<b>2021</b>	<b>2020</b>
Discount rate	0.8%	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)

<b>December 31, 2021</b>	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

(Units: millions of yen)

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

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

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

<b>December 31:</b>	<b>2021</b>	<b>2020</b>
Discount rate (0.5% increase)	¥ 12,337 (decrease)	¥ 12,935 (decrease)
Discount rate (0.5% decrease)	13,988 (increase)	14,619 (increase)

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

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

(8) Defined contribution pension plans

Costs recognized for defined contribution pension plans for the years ended December 31, 2021 and 2020, were ¥4,987 million and ¥4,504 million, respectively. The above amounts include costs recognized for public pension plans.

**Employee Benefit Expenses**

Employee benefit expenses included in the consolidated statement of profit or loss were ¥344,148 million and ¥320,862 million for the years ended December 31, 2021 and 2020, 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 29.

RELATED-PARTY TRANSACTIONS).

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

**19. OTHER LIABILITIES**

The following table presents the Company's other liabilities:

(Unit: millions of yen)

<b>December 31:</b>	<b>2021</b>	<b>2020</b>
Employment benefit obligation	¥ 50,377	¥ 46,791
Accrued expenses	51,075	40,028
Refund liabilities	36,323	31,999
Contract liabilities	23,402	17,810
Others	78,725	62,835
Total	¥ 239,902	¥ 199,463
Current liabilities	234,579	194,924
Noncurrent liabilities	5,323	4,539

## 20. EQUITY

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

The total number of shares authorized to be issued was 1,874,700,000 shares as of December 31, 2021 and 2020. All shares issued by the Company are common stock without par value. Issued shares have been fully paid.

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

	(Unit: thousands of shares)	
Years ended December 31:	2021	2020
Number of issued shares:		
Balance at the beginning of the year	1,208,577	1,220,557
Increase during the year	—	—
Decrease during the year <sup>*1</sup>	(8,330)	(12,000)
Balance at the end of the year	1,200,247	1,208,577

(Note)

\*1 The decreases in the years ended December 31, 2021 and 2020, were due to retirement of treasury shares.

The number of treasury shares included in the above number of issued shares, including those held by associates, is 339,000 shares, and 644,000 shares at December 31, 2021 and 2020, respectively.

### Share Premium and Retained Earnings

#### (1) Share premium

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

#### (2) Retained earnings

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

### Dividends

#### (1) Dividends paid

##### Year ended December 31, 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

##### Year ended December 31, 2020

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

(2) Dividends with the record date falling in the year ended December 31, 2021, but the effective date falling in the following year

Resolution	Class of shares	Dividends (millions of yen)	Dividends per common share	Record date	Effective date
Meeting of the Board of Directors on February 14, 2022	Common shares	¥ 25,205	¥ 21.00	December 31, 2021	March 22, 2022

### 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
<b>January 1, 2020</b>	¥ —	¥ 55,007	¥ (19,158)	¥ 35,849
Total other comprehensive income, net of income tax	3,075	(57)	(34,886)	(31,868)
Transfer to retained earnings	(3,090)	(19,068)	—	(22,158)
Changes in ownership interests in subsidiaries	15	—	—	15
<b>December 31, 2020</b>	¥ —	¥ 35,882	¥ (54,044)	¥ (18,162)
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)
<b>December 31, 2021</b>	¥ —	¥ 45,935	¥ 23,580	¥ 69,515

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:	2021			2020		
	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	¥ 5,900	¥ (1,815)	¥ 4,085	¥ 4,495	¥ (1,417)	¥ 3,078
	5,900	(1,815)	4,085	4,495	(1,417)	3,078
Net change in fair value of financial assets measured at fair value through other comprehensive income:						
Increase (decrease) during the year	15,547	(2,865)	12,682	(241)	61	(180)
	15,547	(2,865)	12,682	(241)	61	(180)
Exchange rate differences on translating foreign operations:						
Increase (decrease) during the year	80,039	(1,899)	78,140	(40,038)	1,089	(38,949)
	80,039	(1,899)	78,140	(40,038)	1,089	(38,949)
<b>Total</b>	<b>¥ 101,486</b>	<b>¥ (6,579)</b>	<b>¥ 94,907</b>	<b>¥ (35,784)</b>	<b>¥ (267)</b>	<b>¥ (36,051)</b>

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)

<b>Years ended December 31:</b>		<b>2021</b>		<b>2020</b>
Remeasurement of defined benefit pension plans	¥	10	¥	3
Net change in fair value of financial assets measured at fair value through other comprehensive income		(16)		(123)
Exchange rate differences on translating foreign operations		516		(4,063)
Total	¥	510	¥	(4,183)

## 21. REVENUE

### Disaggregation of Revenue

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

(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
<b>Farm &amp; Industrial Machinery</b>	<b>307,529</b>	<b>750,408</b>	<b>282,835</b>	<b>361,103</b>	<b>73,007</b>	<b>1,774,882</b>
Pipe- and Infrastructure-related products	157,641	7,754	1,705	12,445	5,039	184,584
Environment-related products	108,088	1,682	1,110	7,660	2,256	120,796
<b>Water &amp; Environment</b>	<b>265,729</b>	<b>9,436</b>	<b>2,815</b>	<b>20,105</b>	<b>7,295</b>	<b>305,380</b>
<b>Other</b>	<b>26,551</b>	<b>7</b>	<b>1</b>	<b>22</b>	<b>2</b>	<b>26,583</b>
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
<b>Total</b>	<b>¥ 602,783</b>	<b>¥ 819,813</b>	<b>¥ 285,651</b>	<b>¥ 406,884</b>	<b>¥ 81,635</b>	<b>¥ 2,196,766</b>

(Unit: millions of yen)

Year ended December 31, 2020	Japan	North America	Europe	Asia outside Japan	Other areas	Total
Farm equipment and engines	¥ 252,957	¥ 431,618	¥ 144,084	¥ 271,300	¥ 39,948	¥ 1,139,907
Construction machinery	36,809	151,028	71,382	20,352	10,350	289,921
<b>Farm &amp; Industrial Machinery</b>	<b>289,766</b>	<b>582,646</b>	<b>215,466</b>	<b>291,652</b>	<b>50,298</b>	<b>1,429,828</b>
Pipe- and Infrastructure-related products	163,885	9,707	1,647	11,943	5,908	193,090
Environment-related products	110,071	2,174	605	8,396	1,438	122,684
<b>Water &amp; Environment</b>	<b>273,956</b>	<b>11,881</b>	<b>2,252</b>	<b>20,339</b>	<b>7,346</b>	<b>315,774</b>
<b>Other</b>	<b>28,343</b>	<b>10</b>	<b>2</b>	<b>11</b>	<b>5</b>	<b>28,371</b>
Revenue recognized from:						
Contracts with customers	592,065	594,537	217,720	312,002	57,649	1,773,973
Other sources of revenue	3,123	52,621	—	22,184	1,333	79,261
<b>Total</b>	<b>¥ 595,188</b>	<b>¥ 647,158</b>	<b>¥ 217,720</b>	<b>¥ 334,186</b>	<b>¥ 58,982</b>	<b>¥ 1,853,234</b>

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 ¥62,819 million and ¥57,431 million for the years ended December 31, 2021 and 2020, respectively.

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

Performance obligations for each business are as follows:

#### (1) Farm & Industrial Machinery

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

There are no significant obligations for returns to customers.

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

## (2) Water & Environment

In the Water & Environment business, the Company manufactures and sells pipe-related products, environment-related products, and social infrastructure-related products and constructions. The main customers are national/local government of Japan and corporation in/outside of Japan. The Company has determined that performance obligations are satisfied when the products are delivered to customers, and therefore, revenue from the sale of products is recognized at that time. 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 promised amount of consideration for the effects of a significant financing component as a practical expedient since the customers pay for those products within one year. Revenue is measured at the consideration promised in a contract with customers, less discounts, rebates depending on sales volume, and other items. The Company recognizes the consideration received from a customer as a liability when the Company expects to refund it in the future.

There are no significant obligations for return to customers.

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

### Contract Balances

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

(Unit: millions of yen)

<b>December 31:</b>	<b>2021</b>		<b>2020</b>	
Receivables	¥	611,119	¥	629,598
Contract assets		24,707		32,091
Contract liabilities		23,402		17,810

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

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

Contract liabilities include accounts such as advances from customers.

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

(Unit: millions of yen)

<b>Years ended December 31:</b>	<b>2021</b>		<b>2020</b>	
	Contract assets	Contract liabilities	Contract assets	Contract liabilities
Increase by revenue recognition	¥ 65,967	¥ —	¥ 76,443	¥ —
Decrease by transfer to receivables	(71,870)	—	(89,288)	—
Increase by receipt of cash	—	112,855	—	101,697
Decrease by recognition of revenue	—	(105,936)	—	(98,450)

The amounts of revenue recognized during the reporting period, which were included in the beginning balance of contract liabilities, were ¥7,481 million and ¥10,006 million for the years ended December 31, 2021 and 2020, respectively.

The amounts of revenue recognized from performance obligations which had been satisfied or partially satisfied in

the past were not material for the years ended December 31, 2021 and 2020.

### 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 ¥146,832 million and ¥121,216 million for the years ended December 31, 2021 and 2020, respectively. These performance obligations are related to construction contracts in the Water & Environment business and are deemed to be recognized as revenue within approximately five years, in accordance with the progress of construction.

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

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

## 22. OTHER INCOME AND OTHER EXPENSES

Other income and other expenses are composed of the following:

		(Unit: millions of yen)	
Years ended December 31:		2021	2020
Other income:			
Foreign exchange gains	¥	7,266	¥ —
Royalty income		1,019	1,041
Profit from disposal of property, plant, and equipment and intangible assets		272	2,704
Insurance proceeds		915	1,411
Other		1,166	1,794
Total	¥	10,638	¥ 6,950
Other expense:			
Foreign exchange losses	¥	—	¥ (4,265)
Loss from disposal of property, plant, and equipment and intangible assets		(3,465)	(2,376)
Loss resulting from disaster		(329)	(2,826)
Other		(1,994)	(957)
Total	¥	(5,788)	¥ (10,424)

## 23. FINANCE INCOME AND FINANCE COSTS

Finance income and finance costs are composed of the following:

		(Unit: millions of yen)	
Years ended December 31:		2021	2020
Finance income:			
Interest income:			
Financial assets measured at amortized cost	¥	2,420	¥ 4,037
Dividend income:			
Equity financial assets measured at fair value through other comprehensive income		2,234	2,414
Other		4,687	5,843
Total	¥	9,341	¥ 12,294
Finance costs:			
Interest expenses:			
Financial liabilities measured at amortized cost	¥	(992)	¥ (1,039)
Other		(1,997)	(640)
Total	¥	(2,989)	¥ (1,679)

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

## 24. INCOME TAXES

### Income Tax Expenses

Income tax expenses are composed of the following:

(Unit: millions of yen)

Years ended December 31:	2021		2020	
Current tax expenses:				
Tax expenses recognized for the current taxable income	¥	72,932	¥	41,305
Subtotal		72,932		41,305
Deferred tax expenses:				
Temporary differences originated and reversed		(7,980)		5,285
Changes in realizability of deferred tax assets		(83)		437
Subtotal		(8,063)		5,722
Total	¥	64,869	¥	47,027

The Parent Company and domestic affiliates are subject to the Japanese corporate tax, an inhabitant tax, and business tax. The aggregated combined statutory income tax rates for the years ended December 31, 2021 and 2020, were both 30.6%. Subsidiaries located in foreign countries are subject to those local taxes.

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

Years ended December 31:	2021		2020	
Japanese statutory tax rates applied to profit before income taxes		30.6%		30.6%
Increase (decrease) in taxes resulting from:				
Changes in realizability of deferred tax assets		0.0		0.0
Permanently nondeductible expenses		0.2		0.4
Tax effect on unremitted earnings of foreign affiliates		0.7		1.4
Extra tax deduction on expenses for research and development		(2.9)		(2.7)
Difference in statutory tax rates of foreign subsidiaries		(3.2)		(4.7)
Other—net		0.3		0.3
Effective income tax rates applied to profit before income taxes		25.7%		25.3%

### 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:	2021		2020	
<b>Deferred tax assets:</b>				
Allowance for doubtful accounts	¥	5,219	¥	5,792
Intercompany profits		19,384		11,180
Financial assets measured at fair value through other comprehensive income		2,850		2,866
Write-downs of inventories; property, plant, and equipment; and intangible assets		2,474		2,657
Depreciation and amortization		5,267		4,939
Accrued bonuses		4,547		4,094
Retirement benefit liabilities		5,059		8,058
Refund liabilities		4,290		5,141
Accrued expenses		3,048		2,983
Product warranty		11,140		8,925
Tax loss and credit carryforwards		1,382		1,756
Other temporary differences		23,235		18,977
Gross deferred tax assets		87,895		77,368
<b>Deferred tax liabilities:</b>				
Financial assets measured at fair value through other comprehensive income		19,706		17,878
Unremitted earnings of foreign affiliates		35,307		31,691
Other temporary differences		13,486		12,246
Gross deferred tax liabilities		68,499		61,815
<b>Net deferred tax assets</b>	¥	19,396	¥	15,553



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

(Unit: millions of yen)

<b>Years ended December 31:</b>		<b>2021</b>		<b>2020</b>
Balance as of the beginning of the year	¥	15,553	¥	14,000
Amounts recognized through profit or loss:				
Elimination of intercompany profit included in assets		8,225		1,313
Depreciation and amortization		(1,662)		(1,370)
Refund liabilities		(851)		(1,925)
Accrued expenses		65		(1,595)
Unremitted earnings of foreign affiliates		(3,616)		(1,514)
Provisions for product warranties		2,215		2,318
Other		4,585		(2,416)
Subtotal		8,961		(5,189)
Amounts recognized through other comprehensive income:				
Net change in fair value of financial assets measured at fair value through other comprehensive income		(2,865)		61
Re-measurement of defined benefit pension plans		(1,815)		(1,417)
Other		(1,899)		1,089
Subtotal		(6,579)		(267)
Other changes		1,461		7,009
Balance as of the end of the year	¥	19,396	¥	15,553

(Note)

The difference between amounts recognized through profit or loss and income taxes—deferred 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)

<b>December 31:</b>		<b>2021</b>		<b>2020</b>
Deductible temporary differences	¥	3,313	¥	2,350
Carryforward of unused tax losses		21,064		19,169
Carryforward of unused tax credit		—		—

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

(Unit: millions of yen)

<b>December 31:</b>		<b>2021</b>		<b>2020</b>
Within 1 year	¥	594	¥	734
Between 1 and 5 years		1,340		943
Later than 5 years		2,642		1,842
Indefinite years		16,488		15,650
Total	¥	21,064	¥	19,169

The aggregate amounts of temporary differences relating to investments in associates for which deferred tax liabilities are not recognized were ¥20,884 million and ¥8,643 million at December 31, 2021 and 2020, respectively. The above deferred tax liabilities are not recognized since it is possible for the Company to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in foreseeable periods.

The Company reflects the effect of uncertainty in determining the related taxable profit, etc., if the Company concludes it is not probable that the taxation authority will accept an uncertain tax treatment. The amounts of such effect were not material at December 31, 2021 and 2020.

## 25. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

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

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

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

<b>Years ended December 31:</b>	<b>2021</b>	<b>2020</b>
		(Unit: millions of yen)
Profit attributable to owners of the parent	¥ 175,637	¥ 128,524
Profit attributable to participating equity instruments	5	4
Profit attributable to common shareholders	¥ 175,632	¥ 128,520
		(Unit: thousands of shares)
Weighted-average number of common shares issued	1,206,967	1,214,215
Weighted-average number of participating equity instruments	37	41
Weighted-average number of common shares outstanding	1,206,930	1,214,174

Earnings per share attributable to owners of the parent—Diluted for the years ended December 31, 2021 and 2020 are not stated because Kubota Corporation did not have potentially dilutive common shares that were outstanding during those years.

## 26. SUPPLEMENTAL CASH FLOW INFORMATION

### Changes in Liabilities Arising from Financing Activities

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

(Unit: millions of yen)

	Short-term borrowings	Long-term borrowings*	Bonds	Lease liabilities	Total
<b>January 1, 2020</b>	¥ 180,479	¥ 702,506	¥ 19,996	¥ 40,811	¥ 943,792
Changes arising from cash flows	(25,629)	58,133	(20,000)	(14,618)	(2,114)
Non-cash changes:	(9,117)	(31,936)	4	15,935	(25,114)
Exchange rate differences on foreign currencies	(8,364)	(31,936)	—	47	(40,253)
Other	(753)	—	4	15,888	15,139
<b>December 31, 2020</b>	¥ 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
<b>December 31, 2021</b>	¥ 255,625	¥ 838,884	¥ —	¥ 47,463	¥ 1,141,972

(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:	2021	2020
Retirement of treasury shares	¥ 20,321	¥ 19,854
Acquisition of assets by means of a lease	¥ 28,722	¥ 20,224

## 27. FINANCIAL INSTRUMENTS

### Capital Management

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

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

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

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

### Credit Risk

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

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

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

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

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

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

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

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

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

(Unit: millions of yen)

December 31:	Financial assets for which an allowance for doubtful accounts is always measured at an amount equal to the lifetime expected credit losses	Credit-impaired financial assets	Total
<b>2020</b>	¥ 629,893	¥ 3,166	¥ 633,059
<b>2021</b>	¥ 612,020	¥ 2,773	¥ 614,793

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
<b>January 1, 2020</b>	¥ 2,104	¥ 1,103	¥ 3,207
Remeasurement	235	165	400
Collection	(27)	—	(27)
Write-off	(54)	(54)	(108)
Other	11	(22)	(11)
<b>December 31, 2020</b>	¥ 2,269	¥ 1,192	¥ 3,461
Remeasurement	265	(38)	227
Collection	(9)	—	(9)
Write-off	(106)	(3)	(109)
Other	56	48	104
<b>December 31, 2021</b>	¥ 2,475	¥ 1,199	¥ 3,674

(2) Measurement of credit risk on lease receivables

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

The Company always measures an allowance for doubtful accounts for lease receivables at an amount equal to the lifetime expected credit losses. The Company measures the expected credit losses on lease receivables in a group mainly based on locations and past due days, considering historical credit loss experience, current status and projected future economic conditions. The Company also measures the expected credit losses on credit-impaired financial assets individually. The Company determines whether lease receivables are credit-impaired based on observable events, such as long-term past due and the debtor's bankruptcy, etc. The Company does not regard past due lease receivables as credit-impaired financial assets when the Company determines that the past due resulted from a temporary shortage in funds of the debtor, the risk of default is considered low, and the debtor has a strong capacity to meet its contractual cash flow obligation in the near term. The Company held ¥4,467 million and ¥4,294 million of its products as of December 31, 2021 and 2020, 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)

December 31:	Financial assets for which an allowance for doubtful accounts is always measured at an amount equal to the lifetime expected credit losses	Credit-impaired financial assets	Total
<b>2020</b>	¥ 295,089	¥ 17,702	¥ 312,791
<b>2021</b>	¥ 332,754	¥ 14,532	¥ 347,286

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

(Unit: millions of yen)

December 31:	Within 30 days past due	From 31 to 60 days past due	From 61 to 90 days past due	Longer than 90 days past due	Total past due	Current	Total
<b>2020</b>	¥ 18,781	¥ 5,157	¥ 3,082	¥ 9,141	¥ 36,161	¥ 276,630	¥ 312,791
<b>2021</b>	¥ 19,412	¥ 4,713	¥ 2,403	¥ 9,691	¥ 36,219	¥ 311,067	¥ 347,286

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

(Unit: millions of yen)

January 1, 2020	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
	¥ 8,594	¥ 13,648	¥ 22,242
Remeasurement	(297)	3,139	2,842
Collection	—	(1,706)	(1,706)
Write-off	(102)	(2,916)	(3,018)
Other	(30)	33	3
<b>December 31, 2020</b>	¥ 8,165	¥ 12,198	¥ 20,363
Remeasurement	(816)	4,720	3,904
Collection	—	(1,179)	(1,179)
Write-off	(65)	(7,275)	(7,340)
Other	(1)	814	813
<b>December 31, 2021</b>	¥ 7,283	¥ 9,278	¥ 16,561

(3) Measurement of credit risk of retail finance receivables

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

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

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

When the credit risk has increased significantly since initial recognition, the Company measures an allowance for doubtful accounts for retail finance receivables at an amount equal to the lifetime expected credit losses considering historical credit loss experience, current conditions, forecasts of future economic conditions, and recoverable amounts from repossession of products sold. The Company determines whether retail finance receivables are credit-impaired financial assets mainly based on past due information over a certain period and objective evidence, such as the debtor's bankruptcy. The Company held ¥1,379 million and ¥1,050 million of its products as of December 31, 2021 and 2020, respectively, for credit enhancements on credit-impaired financial assets.

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

(Unit: millions of yen)

December 31:	Financial assets for which an allowance for doubtful accounts is measured at an amount equal to 12-month expected credit losses	Financial assets for which an allowance for doubtful accounts is measured at an amount equal to the lifetime expected credit losses		Credit-impaired financial assets	Total
		Financial assets on which credit risk increased significantly since initial recognition, but that are not credit-impaired			
2020	¥ 832,401	¥ 1,947	¥ 1,958	¥ 836,306	
2021	¥ 1,079,366	¥ 2,646	¥ 1,726	¥ 1,083,738	

The following table presents an aging analysis of past due retail finance receivables as of December 31, 2021 and 2020:

(Unit: millions of yen)

December 31:	Within 30 days past due	From 31 to 60 days past due	From 61 to 90 days past due	Longer than 90 days past due	Total past due	Current	Total
2020	¥ 46,505	¥ 4,211	¥ 1,411	¥ 1,233	¥ 53,360	¥ 782,946	¥ 836,306
2021	¥ 49,848	¥ 5,511	¥ 1,512	¥ 1,567	¥ 58,438	¥ 1,025,300	¥ 1,083,738

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 for which an allowance for doubtful accounts is measured at an amount equal to 12-month expected credit losses	Financial assets on which credit risk increased significantly since initial recognition, but that are not credit-impaired	Financial assets for which an allowance for doubtful accounts is measured at an amount equal to the lifetime expected credit losses	Financial assets for which an allowance for doubtful accounts is measured at an amount equal to the lifetime expected credit losses				
<b>January 1, 2020</b>	¥	1,790	¥	417	¥	264	¥	2,471
Remeasurement		1,335		306		1,792		3,433
Write-off		(44)		(1)		(1,883)		(1,928)
Other		(272)		(31)		93		(210)
<b>December 31, 2020</b>	¥	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
<b>December 31, 2021</b>	¥	2,964	¥	860	¥	286	¥	4,110

### 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
<b>December 31, 2021:</b>					
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	—

(Unit: millions of yen)

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

### 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:		2021		2020
US dollar	¥	(693)	¥	(587)
Euro		(382)		(132)
Thai baht		(111)		33
Chinese yuan		(26)		(106)

**(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.

**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, 2021			
	Level 1	Level 2	Level 3	Total
<b>Financial assets:</b>				
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
<b>Financial liabilities:</b>				
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



(Unit: millions of yen)

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

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 4.7 to 15.2), 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, 2021.

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

(Unit: millions of yen)

<b>Years ended December 31:</b>	<b>2021</b>	<b>2020</b>
Balance as of the beginning of the year	¥ 5,782	¥ 2,632
Gains or losses		
Profit or loss *1	426	—
Other comprehensive income *2	1,206	860
Purchases	2,621	2,424
Sales	(17)	(134)
<b>Balance as of the end of the year</b>	<b>¥ 10,018</b>	<b>¥ 5,782</b>

(Note)

\*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, 2021 was ¥699 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:	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Finance receivables:				
Retail finance receivables	¥1,079,628	¥1,071,340	¥ 832,540	¥ 840,907
Finance lease receivables	330,725	387,669	292,428	345,581
Long-term trade accounts receivable	67,429	71,853	70,767	75,464
Bonds and borrowings	1,094,509	1,087,720	874,436	883,983

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

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

#### Offsetting Financial Assets and Liabilities

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

## 28. MAJOR SUBSIDIARIES

### Major Subsidiaries

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

### Subsidiary with Material Noncontrolling Interests

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

(Unit: millions of yen)

December 31:	2021	2020
Shareholding ratio of noncontrolling interests	40.0%	40.0%

(Unit: millions of yen)

December 31:	2021	2020
Current assets	¥ 126,870	¥ 108,378
Noncurrent assets	63,942	62,632
Current liabilities	50,734	35,942
Noncurrent liabilities	3,007	2,917
Equity	137,071	132,151
Cumulative amount of noncontrolling interests	53,854	55,460

(Unit: millions of yen)

<b>Years ended December 31:</b>		<b>2021</b>		<b>2020</b>
Revenue	¥	221,852	¥	169,105
Profit for the year		21,470		18,334
Comprehensive income for the year		21,470		18,334
Profit attributable to noncontrolling interests		8,539		7,209
Dividends paid to noncontrolling interests		6,478		4,436

## 29. RELATED-PARTY TRANSACTIONS

The aggregate compensation paid by the Parent Company for the year ended December 31, 2021, to the Directors, including the Outside Directors, was as follows:

(Unit: millions of yen)

<b>Years ended December 31:</b>		<b>2021</b>		<b>2020</b>
Remunerations and bonuses	¥	699	¥	758
Restricted stock compensation		103		108
Total	¥	802	¥	866

## 30. COMMITMENTS AND CONTINGENT LIABILITIES

### Commitments

Commitments for acquisition of property, plant, and equipment were ¥66,764 million and ¥72,758 million at December 31, 2021 and 2020, respectively. Commitments for acquisition of intangible assets were ¥837 million and ¥2,089 million at December 31, 2021 and 2020, respectively.

Commitments for acquisition of property, plant, and equipment at December 31, 2021 and 2020, were primarily in respect of building a new R&D hub.

### Guarantees

The Company is contingently liable as guarantor of the indebtedness of distributors, including associates and customers, for their borrowings from financial institutions. These guarantees obligate the Company to make payments in the event of default by the distributor, including associates and customers. The term of these guarantees are from one to four years. The maximum potential amounts of undiscounted future payments of these financial guarantees were ¥3,539 million and ¥3,442 million at December 31, 2021 and 2020, respectively. The fair values of these financial guarantees were not material, and the probability of incurrence of a loss is remote.

### Legal Proceedings

Since May 2007, the Company has been subject to 51 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. By May 2021, with regard to the four lawsuits consolidating 14 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 37 cases are still ongoing, and the total claims for compensation of all lawsuits aggregate to ¥21,421 million, which relate to 578 construction workers who suffered from asbestos-related diseases. 10 among 37 lawsuits were compiled into four cases and the first instance ordered the Company to pay compensation damages of ¥2 million under judgement for one case, and other cases were decided in favor of the Company. All four cases were appealed to the appellate court. Two appellate courts ruled in favor of the Company, but the plaintiffs of these two cases appealed to the supreme courts.

The Company reviews the status of each lawsuit on a regular basis by consulting with a third-party legal counsel. However, 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 ¥125 million and ¥222 million at December 31, 2021 and 2020, respectively. The asbestos-related expenses recognized for the twelve months ended December 31, 2021 and 2020, were ¥626 million and ¥817 million, respectively.

### **31. SUBSEQUENT EVENTS**

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Not applicable.

### **32. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS**

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The consolidated financial statements were approved on March 18, 2022, by Yuichi Kitao, President and Representative Director of the Parent Company, and Masato Yoshikawa, Executive Vice President and Representative Director, General Manager of Planning & Control Headquarters of the Parent Company.

(TRANSLATION)

## INDEPENDENT AUDITOR'S REPORT

**NOTE TO READERS:**

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

March 18, 2022

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 Ito

Designated Engagement Partner,  
Certified Public Accountant:

\_\_\_\_\_  
Hideaki Takagi

### **Audit of Financial Statements**

#### *Opinion*

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of Kubota Corporation and its consolidated subsidiaries (the "Group") included in the financial section, namely, the consolidated statement of financial position as of December 31, 2021, 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, 2021 to December 31, 2021, 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, 2021, 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
<p>As described in Note 7 to the consolidated financial statements, ¥20,671 million of the allowance for doubtful accounts corresponding to ¥1,083,738 million of retail finance receivables and ¥347,286 million of finance lease receivables (collectively, finance receivables) was recorded in the consolidated statement of financial position as of December 31, 2021 of the Group. In addition, as described in Note 27 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.</p> <p>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 significant increase in credit risk since initial recognition exists.</p> <p>If these 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 to assist in performing audit procedures since the evaluation of assumptions for future economic conditions involves a high degree of auditor's judgement.</p> <p>As such, we identified the assumptions management used in estimating the allowance for doubtful accounts on financial receivables at the finance subsidiaries as a key audit matter.</p>	<p>With the assistance of the auditors of the 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:</p> <p>(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 following controls.</p> <ul style="list-style-type: none"> <li>• Basic information used to estimate expected credit losses</li> <li>• Determining key assumptions used to estimate expected credit losses</li> </ul> <p>(2) Assessment of the reasonableness of estimates in allowance for doubtful accounts on finance receivables</p> <ul style="list-style-type: none"> <li>• We evaluated the appropriateness of the grouping of finance receivables and tested the accuracy and completeness of the basic information used to estimate expected credit losses.</li> <li>• We evaluated the grouping of finance receivables with shared credit risk characteristics.</li> <li>• We evaluated management's conclusion on whether significant increase in credit risk since initial recognition exists.</li> <li>• We performed a trend analysis of the outstanding finance receivables balance to the allowance for doubtful accounts by groups.</li> <li>• We evaluated the reasonableness of estimates related to the probability of a default and the value of collateral.</li> <li>• With the assistance of professionals with specialized skills and knowledge, we evaluated the reasonableness of the assumptions of future economic conditions used by the management.</li> </ul>

*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, 2021.

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, 2021, 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 evaluate 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.

#### **Note 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 18, 2022
[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, Executive Vice President and Representative Director, General Manager of Planning & Control Headquarters
[Address of Head Office]	2-47, Shikitsuhigashi 1-chome, Naniwa-ku, Osaka, JAPAN
[Place Where Available for Public Inspection]	Kubota Corporation, Tokyo Head Office (1-3, Kyobashi 2-chome, Chuo-ku, Tokyo, JAPAN)  Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabuto-cho, Chuo-ku, Tokyo, JAPAN)

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

Yuichi Kitao, President and Representative Director, and Masato Yoshikawa, Executive Vice President and Representative Director, General Manager of Planning & Control Headquarters, confirmed that statements contained in the Annual Securities Report for the 132<sup>nd</sup> fiscal year (from January 1, 2021 to December 31, 2021) 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 18, 2022
[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, Executive Vice President and Representative Director, General Manager of Planning & Control Headquarters
[Address of Head Office]	2-47, Shikitsuhigashi 1-chome, Naniwa-ku, Osaka, JAPAN
[Place Where Available for Public Inspection]	Kubota Corporation, Tokyo Head Office (1-3, Kyobashi 2-chome, Chuo-ku, Tokyo, JAPAN)  Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabuto-cho, Chuo-ku, Tokyo, JAPAN)

(TRANSLATION)

## Management's Report on Internal Control over Financial Reporting

### NOTE TO READERS

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

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

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

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

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

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

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

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

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

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

**3. Matters Related to the Results of the Assessment**

As a result of the preceding assessment, we concluded that our internal control over financial reporting was effective as of December 31, 2021.

**4. Supplementary Matters**

Not applicable.

**5. Special Information**

Not applicable.