

[Translation]

Quarterly Report

(The First Quarter of the 133rd Business Term)
From January 1, 2022 to March 31, 2022

2-47, Shikitsu Higashi 1-chome, Naniwa-ku, Osaka, JAPAN

Kubota Corporation

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Confirmation Letter

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This is an English translation of the Quarterly Report filed with the Director of the Kanto Local Finance Bureau via Electronic Disclosure for Investors’ NETwork pursuant to the Financial Instruments and Exchange Act of Japan.

The translation of the Confirmation Letter for the original Quarterly Report is included at the end of this document.

For the purposes of this Quarterly 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.

1. Overview of the Company

1. Key Financial Data

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

	Three months ended March 31, 2022	Three months ended March 31, 2021	Year ended December 31, 2021
Revenue	¥ 593,223	¥ 537,686	¥ 2,196,766
Profit before income taxes	73,566	78,318	252,559
Profit attributable to owners of the parent	49,596	52,041	175,637
Comprehensive income attributable to owners of the parent	123,177	111,845	270,034
Equity attributable to owners of the parent	1,775,929	1,565,211	1,677,957
Total assets	4,167,513	3,384,634	3,773,510
Earnings per share attributable to owners of the parent:			
Basic	41.33	43.08	145.52
Diluted	—	—	—
Ratio of equity attributable to owners of the parent to total assets (%)	42.6	46.2	44.5
Net cash (used in) provided by operating activities	(84,260)	(22,459)	92,511
Net cash used in investing activities	(73,899)	(18,364)	(127,370)
Net cash provided by financing activities	196,781	815	60,586
Cash and cash equivalents, at the end of the period	305,924	190,103	258,639

(Notes)

1. The condensed consolidated financial statements and the consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).
2. As the Company prepares the condensed consolidated financial statements, its nonconsolidated financial data is not presented.
3. Amounts less than presentation units are rounded to the nearest unit.
4. Earnings per share attributable to owners of the parent—Diluted is not stated since Kubota Corporation did not have potentially dilutive common shares that were outstanding during the period.

2. Description of Business

In the three months ended March 31, 2022, there were no material changes in the Company's business.

Escorts Limited became an equity method affiliate of the Company during the three months ended March 31, 2022 and they belong to Farm & Industrial Machinery segment. Furthermore, Escorts Limited became a subsidiary of the Company as of the filing date of this Quarterly Report due to the acquisition of additional shares of Escorts Limited through an open offer bid.

2. Business Overview

1. Risk Factors

For the three months ended March 31, 2022, there were no major risks for which managements recognize that they may have a significant impact on the consolidated financial position, results of operations, and cash flows (hereafter, “results of operations”) presented in “2. Business Overview” or “4. Financial Information.”

There were no material changes in the information described in the Risk Factors section of the Annual Securities Report for the year ended December 31, 2021.

At the end of the reporting period, the Company estimates that the impact of COVID-19 on the Company’s results of operations is not significant. 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, the Company’s results of operations may be adversely affected.

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

(1) Analysis of Results of Operations

For the three months ended March 31, 2022, revenue of Kubota Corporation and its subsidiaries (hereinafter, the “Company”) increased by ¥55.5 billion [10.3%] from the same period in the prior year to ¥593.2 billion.

Domestic revenue decreased by ¥3.1 billion [2.0%] from the same period in the prior year to ¥156.9 billion because of decreased revenue in Farm & Industrial Machinery, despite increased revenue in Water & Environment.

Overseas revenue increased by ¥58.7 billion [15.5%] from the same period in the prior year to ¥436.3 billion because of increased revenue in Farm & Industrial Machinery, while revenue in Water & Environment remained at the same level as the same period in the prior year.

Operating profit decreased by ¥11.4 billion [14.6%] from the same period in the prior year to ¥66.4 billion mainly due to some negative effects from a rise in material prices and an increase in logistics expenses, despite some positive effects from sales price increase and favorable impact of foreign exchange rates. Profit before income taxes decreased by ¥4.8 billion [6.1%] from the same period in the prior year to ¥73.6 billion due to decreased operating profit. Income tax expenses were ¥19.6 billion. Share of profits of investments accounted for using the equity method was ¥0.5 billion. Profit for the period decreased by ¥3.0 billion [5.3%] from the same period in the prior year to ¥54.4 billion. Profit attributable to owners of the parent decreased by ¥2.4 billion [4.7%] from the same period in the prior year to ¥49.6 billion.

Revenue from external customers and operating profit by each reportable segment were as follows:

1) Farm & Industrial Machinery

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

Revenue in this segment increased by 12.4% from the same period in the prior year to ¥499.7 billion and accounted for 84.2% of consolidated revenue.

Domestic revenue decreased by 4.4% from the same period in the prior year to ¥72.7 billion. Sales of agricultural-related products decreased due to a decline in rice price and termination of subsidies for business continuation of farmers.

Overseas revenue increased by 15.9% from the same period in the prior year to ¥427.0 billion due to increased sales of farm equipment and construction machinery. By region, in North America, sales of construction machinery increased along with solid housing demand, although delay in procurement continued due to supply chain disruption. Sales of tractors and engines were also solid. In Europe, sales mainly of construction machinery and engines increased due to the stable market. In Asia outside Japan, sales of farm equipment, mainly tractors, in Thailand increased due to progress in developing dryland farming, while sales of farm equipment for rice farming decreased due to a decline in rice price. In China, sales of farm equipment were strong because customers, who anticipate lack of subsidy budgets, moved to purchase early.

Operating profit in this segment decreased by 13.1% from the same period in the prior year to ¥59.2 billion due to

some negative effects from a rise in material prices and logistics expenses, while there were some positive effects from sales price increase and favorable impact of foreign exchange rates.

2) Water & Environment

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

Revenue in this segment increased by 2.1% from the same period in the prior year to ¥87.5 billion and accounted for 14.8% of consolidated revenue.

Domestic revenue increased by 2.3% from the same period in the prior year to ¥78.2 billion. In pipe system-related products, sales of plastic pipes to apartment buildings increased along with stable housing starts. In environment-related products, sales of plant construction increased.

Overseas revenue increased by 0.4% from the same period in the prior year to ¥9.3 billion.

Operating profit in this segment decreased by 23.7% from the same period in the prior year to ¥9.5 billion due to some negative effects such as a rise in material prices, despite a positive effect from sales price increase.

3) Other

Other is mainly composed of a variety of services.

Revenue in this segment decreased by 20.6% from the same period in the prior year to ¥6.0 billion and accounted for 1.0% of consolidated revenue.

Operating profit in this segment increased by 17.8% from the same period in the prior year to ¥1.2 billion.

(2) Analysis of Financial Position

Total assets as of March 31, 2022, were ¥4,167.5 billion, an increase of ¥394.0 billion from the prior fiscal year-end. With respect to assets, trade receivables increased due to increased revenue in North America and Thailand. In addition, inventories increased mainly due to increased inventories in transit along with port congestion.

With respect to liabilities, bonds and borrowings increased mainly due to an increase in working capital and investments accounted for using the equity method. 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 42.6%, 1.9 percentage points lower than the prior fiscal year-end.

(3) Analysis of Cash Flows

Net cash used in operating activities during the three months ended March 31, 2022, was ¥84.3 billion, an increase of ¥61.8 billion in net cash outflow compared with the same period in the prior year. This increase was due to an increase in trade receivables and inventories.

Net cash used in investing activities was ¥73.9 billion, an increase of ¥55.5 billion in net cash outflow compared with the same period in the prior year. This increase was mainly due to an increase in cash outflow related to purchase of investments accounted for using the equity method and payments for acquisition of property, plant, and equipment.

Net cash provided by financing activities was ¥196.8 billion, an increase of ¥196.0 billion in net cash inflow compared with the same period in 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 March 31, 2022, were ¥305.9 billion, an increase of ¥47.3 billion from the beginning of the current period.

(4) Issues to Address on Business and Finance

There were no material changes with respect to issues to be addressed in the three months ended March 31, 2022, and no additional issues arose during the period.

(5) Research and Development

The Company's research and development expenses for the three months ended March 31, 2022, were ¥18.2 billion.

There were no material changes in the Company's research and development activities during the three months ended March 31, 2022.

3. Material Contracts

There were no material contracts which were decided or entered into during the three months ended March 31, 2022.

3. 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) (March 31, 2022)	Number of shares issued as of filing date (shares) (May 13, 2022)	Stock exchange on which Kubota Corporation is listed	Description
Common shares	1,200,246,846	1,200,246,846	Tokyo Stock Exchange, Inc. (As of end of period: the First Section) (As of filing date: the Prime Market)	The number of shares per one unit of shares is 100 shares.
Total	1,200,246,846	1,200,246,846	—	—

(2) Information on Share Acquisition Rights

1) Details of Stock Option Plan

Not applicable.

2) Details of Other Stock Acquisition Rights

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)
From: January 1, 2022 To: March 31, 2022	—	1,200,246	¥ —	¥ 84,130	¥ —	¥ 73,117

(5) Major Shareholders

Not applicable.

(6) Information on Voting Rights

Information on voting rights on the shareholders' list as of December 31, 2021, is stated below since Kubota Corporation was unable to confirm the number of voting rights as of March 31, 2022, due to the lack of information.

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)* 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 (%)
(Treasury share) Kubota Corporation	2-47, Shikitsu Higashi 1-chome, Naniwa-ku, Osaka, JAPAN	2,200	—	2,200	0.00
(Crossholding shares) Akita Kubota Corporation	295-38, Terauchikamiyashiki, Akita-shi, Akita, JAPAN	41,400	—	41,400	0.00
Minami Tohoku Kubota Corporation	16-1, Takakura Sugishita, Hiwadamachi, Koriyama-shi, Fukushima, JAPAN	102,000	—	102,000	0.01
Hokuriku Kinki Kubota Corporation	956-1, Shimokashiwanomachi, Hakusan-shi, Ishikawa, JAPAN	9,000	—	9,000	0.00
Fukuoka Kyushu Kubota Corporation	11-36, Noma 1-chome, Minami-ku, Fukuoka, JAPAN	566,000	—	566,000	0.05
Total crossholding shares	—	718,400	—	718,400	0.06
Total	—	720,600	—	720,600	0.06

2. Changes in Directors and Senior Management

There has been no change in Directors nor senior management during the period from the filing date of the Annual Securities Report for the previous fiscal year to March 31, 2022.

(Reference Information)

Kubota Corporation has adopted the Executive Officer System.

There has been no change in the Executive Officers who do not hold the post of Director nor senior management during the period from the filing date of the Annual Securities Report for the previous fiscal year to March 31, 2022.

4. Financial Information

1. Condensed Consolidated Financial Statements

Kubota Corporation and Its Subsidiaries

(1) Condensed Consolidated Statement of Financial Position

(Unit: millions of yen)

	Notes	March 31, 2022	December 31, 2021
ASSETS			
Current assets:			
Cash and cash equivalents		¥ 305,924	¥ 258,639
Trade receivables		677,602	574,349
Finance receivables		408,213	380,865
Other financial assets	5	54,441	50,875
Inventories		578,645	510,065
Income taxes receivable		5,508	8,430
Other current assets		88,266	83,822
Total current assets		2,118,599	1,867,045
Noncurrent assets:			
Investments accounted for using the equity method		111,176	43,768
Finance receivables		1,095,575	1,029,488
Other financial assets	5	118,235	154,781
Property, plant, and equipment		524,583	496,312
Goodwill and intangible assets		107,856	95,884
Deferred tax assets		55,062	50,423
Other noncurrent assets		36,427	35,809
Total noncurrent assets		2,048,914	1,906,465
Total assets		¥ 4,167,513	¥ 3,773,510

(Unit: millions of yen)

	Notes	March 31, 2022	December 31, 2021
LIABILITIES AND EQUITY			
Current liabilities:			
Bonds and borrowings		¥ 687,262	¥ 504,335
Trade payables		378,565	392,331
Other financial liabilities	6	102,539	96,740
Income taxes payable		25,068	33,546
Provisions		54,010	52,208
Other current liabilities	7	247,043	234,579
Total current liabilities		1,494,487	1,313,739
Noncurrent liabilities:			
Bonds and borrowings		697,442	590,174
Other financial liabilities	6	30,983	33,375
Retirement benefit liabilities		15,221	14,899
Deferred tax liabilities		28,854	31,027
Other noncurrent liabilities	7	5,333	5,323
Total noncurrent liabilities		777,833	674,798
Total liabilities		2,272,320	1,988,537
Equity:			
Equity attributable to owners of the parent:			
Share capital		84,130	84,130
Share premium		84,886	84,886
Retained earnings		1,482,447	1,439,560
Other components of equity		124,600	69,515
Treasury shares		(134)	(134)
Total equity attributable to owners of the parent		1,775,929	1,677,957
Noncontrolling interests		119,264	107,016
Total equity		1,895,193	1,784,973
Total liabilities and equity		¥ 4,167,513	¥ 3,773,510

See notes to condensed consolidated financial statements.

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

Three months ended March 31, 2022 and 2021

Condensed Consolidated Statement of Profit or Loss

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

	Notes	2022		2021	
			%		%
Revenue	8	¥ 593,223	100.0	¥ 537,686	100.0
Cost of sales		(432,326)		(378,262)	
Selling, general, and administrative expenses		(102,479)		(86,841)	
Other income		8,679		5,810	
Other expenses		(725)		(670)	
Operating profit		66,372	11.2	77,723	14.5
Finance income		7,320		908	
Finance costs		(126)		(313)	
Profit before income taxes		73,566	12.4	78,318	14.6
Income tax expenses		(19,639)		(21,381)	
Share of profits of investments accounted for using the equity method		521		530	
Profit for the period		¥ 54,448	9.2	¥ 57,467	10.7
Profit attributable to:					
Owners of the parent		¥ 49,596	8.4	¥ 52,041	9.7
Noncontrolling interests		¥ 4,852	0.8	¥ 5,426	1.0
Earnings per share attributable to owners of the parent:					
Basic	9	¥ 41.33		¥ 43.08	
Diluted		¥ —		¥ —	

Condensed Consolidated Statement of Comprehensive Income

(Unit: millions of yen)

	Notes	2022		2021	
Profit for the period		¥ 54,448		¥ 57,467	
Other comprehensive income, net of income tax:					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit pension plans		430		(202)	
Net change in fair value of financial assets measured at fair value through other comprehensive income		6,529		6,425	
Items that may be reclassified subsequently to profit or loss:					
Exchange rate differences on translating foreign operations		73,666		56,371	
Total other comprehensive income, net of income tax		80,625		62,594	
Comprehensive income for the period		¥ 135,073		¥ 120,061	
Comprehensive income attributable to:					
Owners of the parent		¥ 123,177		¥ 111,845	
Noncontrolling interests		¥ 11,896		¥ 8,216	

See notes to condensed consolidated financial statements.

(3) Condensed Consolidated Statement of Changes in Equity

(Unit: millions of yen)

	Notes	Equity attributable to owners of the parent					Total equity attributable to owners of the parent	Noncontrolling interests	Total equity
		Share capital	Share premium	Retained earnings	Other components of equity	Treasury shares			
Balance as of January 1, 2022		¥ 84,130	¥ 84,886	¥ 1,439,560	¥ 69,515	¥ (134)	¥ 1,677,957	¥ 107,016	¥ 1,784,973
Profit for the period				49,596			49,596	4,852	54,448
Total other comprehensive income, net of income tax					73,581		73,581	7,044	80,625
Comprehensive income for the period				49,596	73,581		123,177	11,896	135,073
Transfer to retained earnings				18,496	(18,496)		—		—
Dividends paid	10			(25,205)			(25,205)	(50)	(25,255)
Share-based payments with transfer restrictions			25				25		25
Changes in ownership interests in subsidiaries			(25)				(25)	402	377
Balance as of March 31, 2022		¥ 84,130	¥ 84,886	¥ 1,482,447	¥ 124,600	¥ (134)	¥ 1,775,929	¥ 119,264	¥ 1,895,193
Balance as of January 1, 2021		¥ 84,130	¥ 84,943	¥ 1,325,764	¥ (18,162)	¥ (636)	¥ 1,476,039	¥ 98,146	¥ 1,574,185
Profit for the period				52,041			52,041	5,426	57,467
Total other comprehensive income, net of income tax					59,804		59,804	2,790	62,594
Comprehensive income for the period				52,041	59,804		111,845	8,216	120,061
Transfer to retained earnings				(187)	187		—		—
Dividends paid	10			(22,957)			(22,957)	(183)	(23,140)
Purchases and sales of treasury shares						(1)	(1)		(1)
Share-based payments with transfer restrictions			28				28		28
Changes in ownership interests in subsidiaries			244		13		257	(261)	(4)
Balance as of March 31, 2021		¥ 84,130	¥ 85,215	¥ 1,354,661	¥ 41,842	¥ (637)	¥ 1,565,211	¥ 105,918	¥ 1,671,129

See notes to condensed consolidated financial statements.

(4) Condensed Consolidated Statement of Cash Flows

(Unit: millions of yen)

Three months ended March 31:	Notes	2022	2021
Cash flows from operating activities:			
Profit for the period		¥ 54,448	¥ 57,467
Depreciation and amortization		18,620	17,541
Loss from disposal of property, plant, and equipment and intangible assets, net		458	230
Finance income and costs		(7,238)	(523)
Income tax expenses		19,639	21,381
Share of profits of investments accounted for using the equity method		(521)	(530)
Increase in trade receivables		(90,181)	(73,225)
Increase in finance receivables		(264)	(19,714)
Increase in inventories		(39,212)	(22,449)
Decrease in other assets		3,089	10,606
Decrease in trade payables		(23,699)	(12,642)
Increase in other liabilities		8,399	7,959
Net changes in retirement benefit assets and liabilities		203	129
Other, net		(235)	(1,331)
Interest received		87	425
Dividends received		48	80
Interest paid		(509)	(171)
Income taxes paid, net		(27,392)	(7,692)
Net cash used in operating activities		(84,260)	(22,459)
Cash flows from investing activities:			
Payments for acquisition of property, plant, and equipment		(29,110)	(15,576)
Payments for acquisition of intangible assets		(4,808)	(6,787)
Proceeds from sales of property, plant, and equipment		958	1,358
Purchase of investments accounted for using the equity method		(28,856)	—
Payments for loans receivable from associates		(7,300)	(9,800)
Collection of loans receivable from associates		5,850	8,408
Payments for time deposits		(2,289)	(6,026)
Proceeds from withdrawal of time deposits		5,298	202
Net (increase) decrease in restricted cash		(5,228)	10,163
Proceeds from sales and redemptions of short-term investments		703	—
Other, net		(9,117)	(306)
Net cash used in investing activities		(73,899)	(18,364)
Cash flows from financing activities:			
Funding from bonds and long-term borrowings		164,640	37,507
Redemptions of bonds and repayments of long-term borrowings		(96,275)	(55,214)
Net increase in short-term borrowings		159,837	44,526
Repayments for lease liabilities		(4,692)	(4,406)
Dividends paid	10	(25,205)	(22,957)
Other, net		(1,524)	1,359
Net cash provided by financing activities		196,781	815
Effect of exchange rate changes on cash and cash equivalents		8,663	7,192
Net increase (decrease) in cash and cash equivalents		47,285	(32,816)
Cash and cash equivalents, at the beginning of the period		258,639	222,919
Cash and cash equivalents, at the end of the period		¥ 305,924	¥ 190,103

See notes to condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements

Kubota Corporation and Its Subsidiaries

1. REPORTING ENTITY

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

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

2. BASIS OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Compliance with International Financial Reporting Standards (IFRS)

The condensed consolidated financial statements of the Company are prepared in accordance with International Accounting Standard 34 pursuant to the Article 93 of the Ordinance on Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements (the “Ordinance”), since the Company meets the requirements for a *Specified Company under Designated International Financial Reporting Standards* as prescribed in Article 1-2 of the Ordinance. The condensed consolidated financial statements do not contain all the information and disclosures required for a complete set of financial statements and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2021.

Basis of Measurement

The Company’s condensed consolidated financial statements are prepared on a historical cost basis, except for certain financial instruments, etc. that are measured at fair value.

Functional Currency and Presentation Currency

The condensed 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 condensed consolidated financial statements of the Company are prepared by using judgements, estimates, and assumptions that affect the application of accounting policies and reporting of assets, liabilities, revenue, and expenses. Actual results of operations 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 significant accounting judgements, estimates, and assumptions made in preparing the condensed consolidated financial statements are consistent with those made in preparing the consolidated financial statements for the year ended December 31, 2021.

At the end of the reporting period, the Company estimates the impact of COVID-19 infection on the results of operations of the Company is not significant. 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, accounting judgements, estimates, and assumptions of the Company may be affected significantly.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied on the condensed consolidated financial statements are consistent with those applied on the consolidated financial statements for the year ended December 31, 2021.

Income taxes for the condensed consolidated financial statements are calculated based on the estimated annual effective tax rate.

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 system-related products (ductile iron pipes, plastic pipes, and other products), materials and urban infrastructure-related products (mixing element radian tube, spiral-welded steel pipes, air-conditioning equipment, and other products), and environment-related products (environmental control plants, pumps, and other products). The Other segment offers a variety of services.

Financial information of these segments is utilized on a regular basis by the chief operating decision-maker in determination of resource allocation of the Company and performance evaluation. 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 condensed consolidated financial statements.

Information by reportable segment is summarized as follows:

(Unit: millions of yen)

Three months ended March 31:	Farm & Industrial Machinery	Water & Environment	Other	Adjustments	Consolidated
2022:					
Revenue:					
External customers	¥ 499,734	¥ 87,508	¥ 5,981	¥ —	¥ 593,223
Intersegment	36	44	8,081	(8,161)	—
Total	499,770	87,552	14,062	(8,161)	593,223
Operating profit	¥ 59,180	¥ 9,537	¥ 1,190	¥ (3,535)	¥ 66,372
2021:					
Revenue:					
External customers	¥ 444,453	¥ 85,701	¥ 7,532	¥ —	¥ 537,686
Intersegment	65	503	7,136	(7,704)	—
Total	444,518	86,204	14,668	(7,704)	537,686
Operating profit	¥ 68,085	¥ 12,497	¥ 1,010	¥ (3,869)	¥ 77,723

(Notes)

1. *Adjustments* include items such as the elimination of intersegment transfers and corporate expenses which are not allocated to any particular reportable segment. 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.
2. The aggregated amounts of operating profit are equal to those presented in the condensed consolidated statement of profit or loss. Refer to the condensed consolidated statement of profit or loss for the reconciliation of operating profit to profit before income taxes.
3. Intersegment transfers are recorded at values that approximate market prices.

5. OTHER FINANCIAL ASSETS

Other financial assets are composed of the following:

	(Unit: millions of yen)	
	March 31, 2022	December 31, 2021
Financial assets measured at amortized cost:		
Long-term trade accounts receivable	¥ 37,413	¥ 37,013
Time deposits	9,741	12,054
Restricted cash*	11,936	5,651
Others	28,223	33,709
Financial assets measured at fair value through other comprehensive income:		
Debt financial assets	—	686
Equity financial assets	68,642	106,328
Financial assets measured at fair value through profit or loss:		
Debt financial assets	5,619	5,245
Derivatives	11,102	4,970
Total	¥ 172,676	¥ 205,656
Current assets	54,441	50,875
Noncurrent assets	118,235	154,781

(Note)

* Deposits pledged as collateral are restricted from their withdrawal, and advances received for public work are restricted from their usage.

6. OTHER FINANCIAL LIABILITIES

Other financial liabilities are composed of the following:

	(Unit: millions of yen)	
	March 31, 2022	December 31, 2021
Financial liabilities measured at amortized cost:		
Lease liabilities	¥ 45,096	¥ 47,463
Notes and accounts payable for capital expenditures	39,204	37,072
Deposits received	26,448	27,922
Others	11,978	12,361
Financial liabilities measured at fair value through profit or loss:		
Derivatives	10,796	5,297
Total	¥ 133,522	¥ 130,115
Current liabilities	102,539	96,740
Noncurrent liabilities	30,983	33,375

7. OTHER LIABILITIES

Other liabilities are composed of the following:

	(Unit: millions of yen)	
	March 31, 2022	December 31, 2021
Employment benefit obligation	¥ 56,790	¥ 50,377
Accrued expenses	48,915	51,075
Refund liabilities	42,031	36,323
Contract liabilities	25,757	23,402
Others	78,883	78,725
Total	¥ 252,376	¥ 239,902
Current liabilities	247,043	234,579
Noncurrent liabilities	5,333	5,323

8. REVENUE

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

Beginning with the current consolidated fiscal year, in conformity with the change in the business reporting structure of the Company, the amounts formerly reported in "Pipe- and infrastructure-related products" are now classified as "Pipe system-related products" and "Materials and urban infrastructure-related products". The information for the same period in the previous year has been retrospectively adjusted to conform to the current fiscal year's presentation.

(Unit: millions of yen)

Three months ended March 31, 2022	Japan	North America	Europe	Asia outside Japan	Other area	Total
Farm equipment and engines	¥ 62,962	¥ 143,673	¥ 47,954	¥ 104,338	¥ 14,650	¥ 373,577
Construction machinery	9,110	55,528	28,519	5,271	3,936	102,364
Farm & Industrial Machinery	72,072	199,201	76,473	109,609	18,586	475,941
Pipe system-related products	28,435	77	—	630	8	29,150
Materials and urban infrastructure-related products	8,896	1,707	384	1,484	1,825	14,296
Environment-related products	40,850	206	316	1,262	1,428	44,062
Water & Environment	78,181	1,990	700	3,376	3,261	87,508
Other	5,968	4	2	7	—	5,981
Revenue recognized from:						
Contracts with customers	156,221	201,195	77,175	112,992	21,847	569,430
Other sources of revenue	671	15,836	—	6,965	321	23,793
Total	¥ 156,892	¥ 217,031	¥ 77,175	¥ 119,957	¥ 22,168	¥ 593,223

(Unit: millions of yen)

Three months ended March 31, 2021	Japan	North America	Europe	Asia outside Japan	Other area	Total
Farm equipment and engines	¥ 66,943	¥ 122,645	¥ 44,530	¥ 89,175	¥ 13,743	¥ 337,036
Construction machinery	8,462	41,761	24,748	6,252	5,670	86,893
Farm & Industrial Machinery	75,405	164,406	69,278	95,427	19,413	423,929
Pipe system-related products	27,325	290	—	1,108	—	28,723
Materials and urban infrastructure-related products	8,644	2,127	466	2,002	1,400	14,639
Environment-related products	40,443	15	85	1,527	269	42,339
Water & Environment	76,412	2,432	551	4,637	1,669	85,701
Other	7,522	1	—	8	1	7,532
Revenue recognized from:						
Contracts with customers	159,339	166,839	69,829	100,072	21,083	517,162
Other sources of revenue	700	13,399	—	6,100	325	20,524
Total	¥ 160,039	¥ 180,238	¥ 69,829	¥ 106,172	¥ 21,408	¥ 537,686

Revenue recognized from other sources of revenue includes interest income from retail finance and finance lease calculated using effective interest rate method. The amounts of the above revenue are ¥16,505 million and ¥14,817 million for the three months ended March 31, 2022 and 2021, respectively.

9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

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

Among the shares granted under the restricted stock compensation plan for the Company's Directors and Executive Officers, contingently returnable shares are distinguished as participating equity instruments from common shares. Common shares and participating equity instruments have the same right to profit attributable to owners of the parent.

Three months ended March 31:	2022	2021
		(Unit: millions of yen)
Profit attributable to owners of the parent	¥ 49,596	¥ 52,041
Profit attributable to participating equity instruments	—	—
Profit attributable to common shareholders	¥ 49,596	¥ 52,041
		(thousands of shares)
Weighted-average number of common shares issued	1,199,907	1,207,933
Weighted-average number of participating equity instruments	3	8
Weighted-average number of common shares outstanding	1,199,904	1,207,925

Earnings per share attributable to owners of the parent—Diluted is not stated since Kubota Corporation did not have potentially dilutive common shares that were outstanding during the period.

10. DIVIDENDS

Dividends paid are as follows:

Three months ended March 31, 2022

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

Three months ended March 31, 2021

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

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Financial instruments measured at fair value

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

(Unit: millions of yen)

	March 31, 2022			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at fair value through other comprehensive income:				
Equity financial assets	¥ 63,906	¥ —	¥ 4,736	¥ 68,642
Financial assets measured at fair value through profit or loss:				
Debt financial assets	—	—	5,619	5,619
Derivatives:				
Foreign exchange contracts	—	10,054	—	10,054
Interest swap contracts	—	252	—	252
Cross-currency interest rate swap contracts	—	796	—	796
Total	¥ 63,906	¥ 11,102	¥ 10,355	¥ 85,363
Financial liabilities:				
Financial liabilities measured at fair value through profit or loss:				
Derivatives:				
Foreign exchange contracts	¥ —	¥ 9,376	¥ —	¥ 9,376
Interest swap contracts	—	489	—	489
Cross-currency interest rate swap contracts	—	931	—	931
Total	¥ —	¥ 10,796	¥ —	¥ 10,796

(Unit: millions of yen)

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

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

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

Equity financial assets and debt financial assets classified in Level 3 are unlisted equity securities, which are measured by the comparable company comparison method, using the earnings before interest and tax (EBIT) ratio (from 1.3 to 15.1) as a multiple, and by other method. 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 period. There were no significant transfers of financial instruments between the levels for the three months ended March 31, 2022 and 2021.

In addition, due to acquisition of additional shares of Escorts Limited by the Parent Company through the subscription to the third-party preferential primary share allotment on February 18, 2022, the Parent Company's interest in Escorts Limited is classified as "Investments accounted for using the equity method" in the condensed consolidated statement of financial position as of March 31, 2022. The ¥36,264 million equity interest in Escorts Limited at the end of the previous fiscal year was included in equity financial assets classified as Level 1 of financial assets measured at fair value through other comprehensive income.

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

Three months ended March 31:	2022		2021	
Balance at the beginning of the period	¥	10,018	¥	5,782
Gains or losses				
Profit or loss *1		324		—
Other comprehensive income *2		(84)		1,417
Purchases		116		308
Sales		(19)		(12)
Balance at the end of the period	¥	10,355	¥	7,495

(Notes)

- Gains or losses are recognized as *finance income* or *finance costs* in the Condensed Consolidated Statement of Profit or Loss. Of the total gain or loss, the amount related to financial instruments held at the end of the reporting period was ¥324 million.
- Gains or losses are recognized as *Net change in fair value of financial assets measured at fair value through other comprehensive income* in the Condensed Consolidated Statement of Comprehensive Income.

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)

	March 31, 2022		December 31, 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Finance receivables:				
Retail finance receivables	¥ 1,148,395	¥ 1,098,717	¥ 1,079,628	¥ 1,071,340
Finance lease receivables	355,393	415,057	330,725	387,669
Long-term trade accounts receivable	65,163	69,226	67,429	71,853
Bonds and borrowings	1,384,704	1,355,947	1,094,509	1,087,720

The fair values of finance receivables, long-term trade accounts receivable, and bonds and borrowings are stated at the present value of future cash flows discounted by the current market rate. Long-term trade accounts receivable in the above table include the current portion, which is included in trade receivables in the condensed 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 lease liabilities and derivatives) approximate their fair values due to their short-term maturity.

12. COMMITMENTS AND CONTINGENT LIABILITIES

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 Japanese government and asbestos-related companies, including the Company.

Of these asbestos-related lawsuits, 18 were aggregated into six lawsuits and the Supreme Court has concluded proceedings and ruled that the government and a part of asbestos-related companies were liable for compensation while all claims against the Company were rejected.

Other 33 asbestos-related lawsuits are still ongoing, and the total claims for compensation related to 504 construction workers who suffered from asbestos-related diseases aggregate to ¥18,572 million. Of these ongoing lawsuits, six were compiled into two lawsuits and the first instance ordered the Company to pay compensation damages of ¥2 million under judgement for one lawsuit, and the other was decided in favor of the Company. Both lawsuits are being heard on appeal.

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

The Company does not have any cost-sharing arrangements with other potentially responsible parties, including Japanese government.

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 workmen'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 ¥164 million and ¥125 million at March 31, 2022, and December 31, 2021, respectively. The asbestos-related expenses recognized for the three months ended March 31, 2022 and 2021, were ¥179 million and ¥285 million, respectively.

13. SUBSEQUENT EVENTS

Acquisition of Investments in Escorts Limited

During the three months ended March 31, 2022, the Parent Company has acquired shares of Escorts Limited (hereinafter, "EL") for ¥28,856 million in cash by means of the subscription to the third-party preferential primary share allotment. The Parent Company's interest in EL is accounted for using the equity method as of the end of the reporting period. Furthermore, the Parent Company has acquired shares of EL for ¥123,722 million in cash through the open offer bid which was completed on April 11, 2022. As a result, the shareholding ratio of the Parent Company in EL has increased to 44.8%. Since EL is considered substantially controlled by the Parent Company as officers from the Parent Company were appointed as members of EL's Board of Directors, EL became a subsidiary.

The following is an outline of the transaction.

Fair values of assets acquired, liabilities assumed, and others are not disclosed since the initial accounting for the business combination is not complete.

(1) Summary of acquiree

Name: Escorts Limited

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

(2) Primary reason for business combination

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

(3) Acquisition date

April 11, 2022

(4) Shareholding ratio acquired

44.8%

The amount related to the purchase of EL's shares by means of the subscription to the third-party preferential primary share allotment during the three months ended March 31, 2022, is included in "Purchase of investments accounted for using the equity method" in the condensed consolidated statement of cash flows.

Part of consideration has been contributed to the escrow account in the previous fiscal year.

Issuance of Bonds

On April 20, 2022, the Board of Directors of the Parent Company resolved to issue straight bonds. The total issue amount of the bonds will not exceed ¥150 billion and will be publicly offered in Japan.

Acquisition of Treasury Shares

On April 20, 2022, the Board of Directors of the Parent Company resolved, in accordance with the provisions of the Articles of Incorporation under Article 165, paragraph 2 of the Companies Act of Japan, to acquire up to 11.5 million outstanding common shares of the Parent Company from the market during the period from April 21, 2022, to December 15, 2022, at an acquisition cost not exceeding ¥20,000 million.

14. APPROVAL OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved on May 13, 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.

2. Other

On February 14, 2022, the Board of Directors of the Parent Company resolved and paid the year-end dividend as follows:

1) Dividend Record Date

December 31, 2021

2) Amount of Dividends

¥21.00 per common share, a total of ¥25,205 million

3) Effective Date of Claim of Payment and Commencement of Payment

March 22, 2022

COVER

[Document Filed]	Confirmation Letter
[Applicable Law]	Article 24-4-8, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed to]	Director, Kanto Local Finance Bureau
[Filing Date]	May 13, 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 Quarterly 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 Quarterly Report for the first quarter of the 133rd business term (from January 1, 2022 to March 31, 2022) were adequate under the Financial Instruments and Exchange Act of Japan.

2. Special Notes

Not applicable.