

Governance Report

<SDGs related to this section>



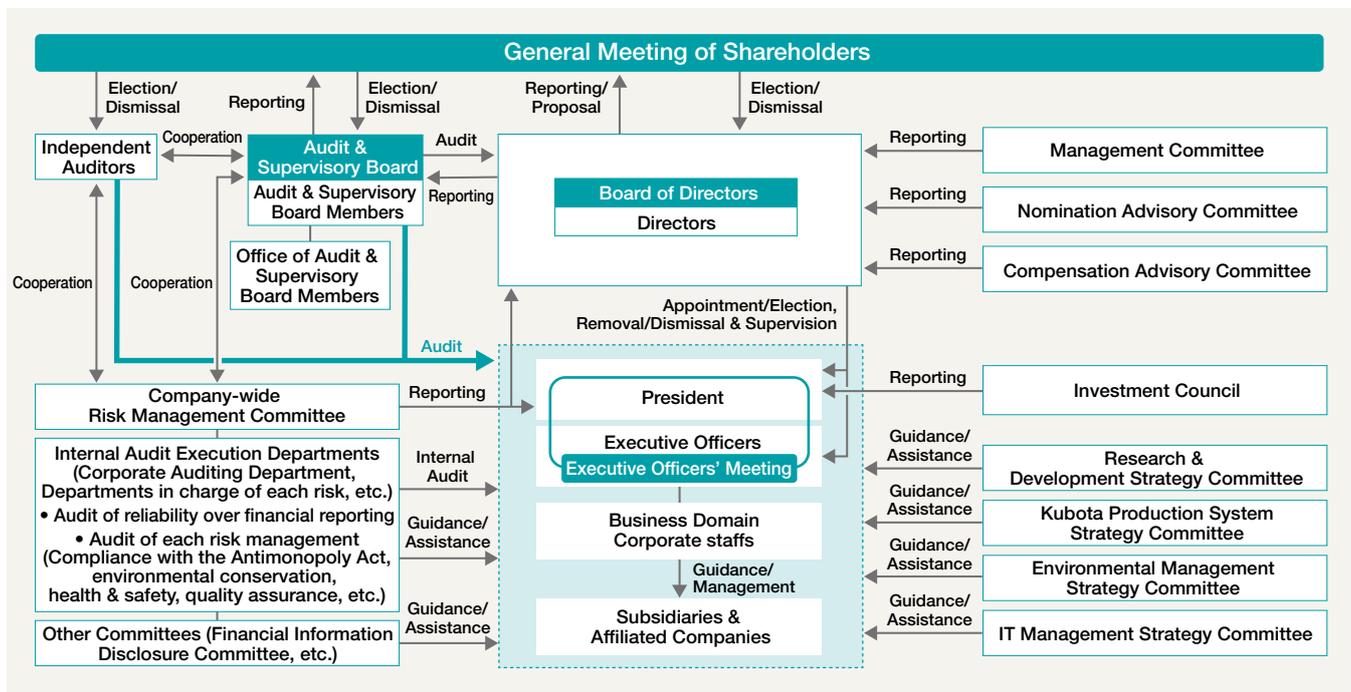
Corporate Governance

In order to speed up its response to management conditions and achieve enhanced transparency in its management, Kubota has been committed to enhancing its corporate governance structure. Moreover, by building an internal control system and implementing steady improvements continuously during its business activities, Kubota not only enforces the observance of laws and regulations, but also reduces risks.

Corporate Governance Structure

Ensuring Quick Response to Management Conditions and Improving Management Transparency

In order to speed up its response to management conditions and achieve enhanced transparency in its management, Kubota has adopted the following corporate governance structure.



Board of Directors

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

Moreover, the Board of Directors holds a meeting once a year to report the results of risk management activities. This is done in order to verify that there are no inadequacies in the internal control system that could have a serious impact on corporate management with regards to the organization and operation of the management system for key risks identified by the Company.

Audit & Supervisory Board

Kubota has the Audit & Supervisory Board independently, which 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 policy, audit reports, and other matters.

Executive Officers' Meeting

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

Management Committee and Investment Council

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

Nomination Advisory Committee and Compensation Advisory Committee

Kubota has a Nomination Advisory Committee and Compensation Advisory Committee in place, in which more than half of the members are 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 Directors, and the compensation system and compensation level of the Directors with appropriate involvement and advice from the Outside Directors. Since March 2021, Outside Directors have been appointed to chair each committee, to conduct committee activities in an even fairer and more transparent manner.

The Nomination Advisory Committee met three times during the fiscal year for the purpose of discussing the nomination of candidates for Directors, and the nomination of Advisors with the appropriate involvement and advice from the Outside Directors. (Including one resolution in writing.) Meanwhile, the Compensation Advisory Committee met three times during the fiscal year for the purpose of discussing both the consistency of levels of compensation paid to the Directors, Executive Officers, and Advisors, and the adequacy of the stock compensation system with the appropriate involvement and advice from the Outside Directors. (Including one resolution in writing.)

Policy for Appointing 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 considers experience outside Kubota, professional insight, and other qualifications, and makes recommendations for their suitability at the General Meeting of Shareholders after approval by the Board of Directors.

Kubota established policies related to criteria for independence when electing the Outside Directors by reference to the rules for Independent Executives defined by the TSE. Kubota elects those who have no conflict of interest with ordinary shareholders accordingly.

Reasons for Appointing Outside Directors (Independent Executives)

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

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

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

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

Reasons for Appointing Outside Audit & Supervisory Board Members (Independent Executives)

Kubota Corporation elected Masaki Fujiwara as an Outside Audit & Supervisory Board Member since Kubota Corporation expects him to further enhance its auditing procedures during this period of further global advancement of the Company. Having served in key administrative and executive roles at Panasonic Corporation and its subsidiaries and affiliated companies, he has both considerable

knowledge relating to administration and corporate accounting, and a good feel for global business through his long-standing experience stationed overseas. Kubota Corporation has no business relationship with Sansha Electric Manufacturing Co., Ltd., for which Mr. Fujiwara concurrently plays an important role. Kubota Corporation places him as an Independent Executive since there is no particular vested interest between Kubota Corporation and him, and there seems to be no conflict of interest with ordinary shareholders.

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

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

Attendance Rate of Outside Executives (Jan.–Dec. 2020)

Attendance rate of Outside Directors at Board of Directors' meetings	Yuzuru Matsuda 100%	Koichi Ina 100%	Yutaro Shintaku 100%
Attendance rate of Outside Audit & Supervisory Board Members at Audit & Supervisory Board meetings	Masaki Fujiwara 100%	Kumi Arakane 100%	Yuichi Yamada 100%*

* Outside Audit & Supervisory Board Member Yuichi Yamada attended all Audit & Supervisory Board Meetings held after his appointment in March 2020.

System Supporting Audit & Supervisory Board Members

Kubota established the Office of Audit & Supervisory Board Members and has assigned five employees to exclusively support the Audit & Supervisory Board Members in performing their duties. Those employees' independence is ensured as their appointment and evaluation require a discussion with and consent from the Audit & Supervisory Board Members. As of March 19, 2021, Kubota places four members in the Office of Audit & Supervisory Board Members, to engage in audits exclusively for subsidiaries in order to provide support for Kubota's Audit & Supervisory Board Members and improve internal control over the Kubota Group. Also, Kubota put in place a system for prompt reporting by Audit & Supervisory Board Members on matters that may have a significant impact on management, as well as a system wherein any expenses incurred related to execution of duties by the Audit & Supervisory Board Members are to be disbursed in a timely manner.

Internal audit departments and the Independent Auditors of Kubota report audit plans and the results of audits to the Audit & Supervisory Board Members periodically, and as needed collaborate with each other.

Policy for Determination of Remuneration, etc. and its Calculation Method for Directors and Audit & Supervisory Board Members

1. Basic Policy Regarding Remuneration

- The Company 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 shareholders.

2. Procedures for Determining Remuneration

- To ensure fairness and transparency, remuneration is determined by the Board of Directors after it has been deliberated on in the Compensation Advisory Committee, which is composed of Outside Directors, internal Directors and the Director in charge of the Human Resources and General Affairs Department.
- The appropriateness of the overall remuneration level is verified based on a database of management remuneration at other major domestic corporations provided by external research organizations.

3. Overview of Remuneration Plan for Directors

1) Remuneration Composition and Composition Ratios

- The remuneration for Directors (excluding Outside Directors) consists of basic remuneration, which is set by corporate rank, variable remuneration (bonuses for Directors), which acts as a short-term incentive linked to performance in a single fiscal year, and restricted stock compensation which is regarded as a medium- to long-term incentive.
- The composition ratios of remuneration vary according to the Director's bonus amount and are set so that the higher the corporate rank, the higher the ratio of the Director's bonus will be. The ratio of "basic remuneration" to "bonus" to "stock compensation" for Directors for the fiscal year will generally be 45%:40%:15%.
- The remuneration for Outside Directors consists of basic remuneration only because of the roles they play and the need to preserve their independence.

2) Basic Remuneration

- The Company pays basic remuneration, which is set by corporate rank. 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, remuneration levels of other companies, and other factors.

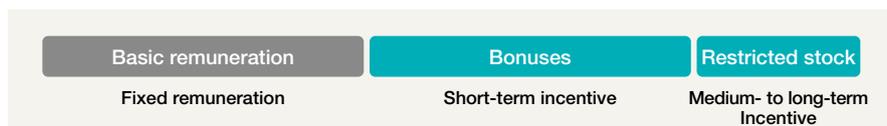
3) Variable Remuneration (Bonuses for Directors)

- The Company pays variable remuneration (bonuses for Directors), which acts as a short-term incentive linked to performance in a single fiscal year. "Profit attributable to owners of the parent," which represents results of business activities and constitutes the capital for shareholder returns, has been adopted as the indicator used to calculate the bonus amount. After the bonus amounts for each corporate rank are decided, these amounts are adjusted according to the degree of performance achievement in organizations of which the individuals are in charge, and then approval for that variable remuneration is obtained at the Ordinary General Meeting of Shareholders.

4) Restricted Stock Compensation

- The Company pays restricted stock compensation, which is regarded as a medium- to long-term incentive.
- The amount of stock compensation is decided within the limits established by the total amount of the monetary compensation claims and the total number of common shares to be issued or disposed of as approved at the General Meeting of Shareholders.

(Reference) Image of Remuneration Plan for Directors



4. Remuneration for the Audit & Supervisory Board Members

- The remuneration for Audit & Supervisory Board Members consists solely of basic remuneration because of the roles they play and the need to preserve their independence. The remuneration for 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.



Please refer to the Annual Securities Report for details.

www.kubota.com/ir/financial/yuho/data/yh131q4e.pdf

Director and Auditor Remuneration (Jan.–Dec. 2020)

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

* The amounts of restricted stock compensation are those shown as expenses for the fiscal year ended December 31, 2020.

Training for Executives

The Company holds annual executive forums related to SDGs, human rights, health and safety, the environment, quality, and starting in the fiscal year ended December 31, 2020, also related to ICT to promote digital transformation, for all of its Directors, Audit & Supervisory Board Members, and Executive Officers.

In the fiscal year ended December 31, 2020, such forums were held online on four occasions. Visiting lecturers were brought in, etc. and those in attendance were provided with opportunities to acquire and update knowledge necessary for supervising operations.

Kubota Corporation also conducts training hosted by external organizations for all newly appointed Executive Officers, featuring content pertaining to laws and regulations, and corporate governance.

Moreover, Kubota Corporation conducts inspections and engages in discussions with on-site executives at its overseas affiliates, and at the regional offices in Japan, so that those in attendance, including Outside Directors and Outside Audit & Supervisory Board Members, can gain a deeper understanding of the Group's business activities and make appropriate management decisions.

Outside Directors attended more meetings via the internet and exchanged various opinions at the "2025 Medium-Term Management Plan and Long-Term Vision (GMB2030) Review Meeting," "Discussion with Audit & Supervisory Board Members Regarding Evaluating the Effectiveness of the Board of Directors," "Business Strategy Meeting Regarding the COVID-19 Pandemic" and other meetings.

For Audit & Supervisory Board Members, meetings attended by the President are regularly held to share management issues, and exchanges of opinion also involving Outside Directors are regularly carried out in order to improve governance.

<Results for fiscal 2020>

President's meetings: held on four occasions with the President and all five Audit & Supervisory Board Members participating in all of them

Outside Directors' meetings: held on one occasion with all three Outside Directors and all five Audit & Supervisory Board Members participating



Corporate Governance Report

www.kubota.com/ir/news/data/cgre.pdf

Policy for Constructive Dialogue with Shareholders

Kubota, recognizing that constructive dialogue with shareholders and investors contributes to the improvement of the Company's sustainable growth and medium- to long-term corporate value, regularly stays abreast of the shareholder composition, makes timely and appropriate disclosure of a wide range of information ranging from financial information to non-financial information and promotes constructive dialogue with shareholders and investors. The policies for development of systems and operations for this activity are as follows.

(1) Basic policy

The Company holds briefings where the President and General Manager of Planning & Control Headquarters present the basic management policy, priority measures, and results of operation, with the aim of promoting constructive dialogue with domestic and foreign institutional investors. Furthermore, the Company promotes two-way communication, such as timely disclosure to all stakeholders including individual investors through active use of the Company website and executing questionnaire surveys.

(2) IR organizational structure

General Manager of Planning & Control Headquarters is in overall charge of directing and promoting IR. The department in charge of IR plays a central role in developing its IR activities through organic coordination with each related department, such as Corporate Planning & Control Dept., Accounting Dept., Secretary and Public Relations Dept., ESG Promotion Dept., General Affairs Dept. and Legal Dept.

(3) Feedback to management

Subjects of dialogue with investors are reported back to the Board of Directors, the Executive Officers' Meeting, and relevant departments by the President and General Manager of Planning & Control Headquarters as necessary.

(4) Dialogue with institutional investors and analysts

The Company holds individual and group meetings, product exhibitions and briefings on business operations, and results briefings with institutional investors and analysts. In addition, the Company discloses the results materials and the results briefing materials in both English and Japanese at the same time, and regularly holds tours and briefings on business operations in Japan and overseas.

(5) Dialogue with individual shareholders and investors

The Company aims to promote lively communication through such means as holding on-site factory tours for individual shareholders and inviting them to product exhibitions.

Also, in addition to holding company information sessions for individual investors to provide an opportunity for the President and individual investors to directly engage in dialogue, the Company also holds online briefings and takes other steps to publicize its business activities to gain greater understanding.

(6) Policy for insider information management when engaging in dialogue

Insider information, such as any undisclosed material facts, is not conveyed at the meetings with investors. The following section describes the structure and procedures regarding the timely disclosure of the Company information.

1. Financial Information Disclosure Committee

The Company has established the Financial Information Disclosure Committee so as to monitor and control financial information disclosure and, thereby, ensure its fairness, correctness, timeliness, and comprehensiveness. The committee consists of a committee chairperson, who is General Manager of Planning & Control Headquarters; committee members, who are General Manager or Deputy General Manager of Corporate Compliance and Risk Management Headquarters, General Manager of Corporate Planning & Control Dept., General Manager of General Affairs Dept., General Manager of Secretary and Public Relations Dept., General Manager of Accounting Dept., and General Manager of Corporate Auditing Dept.; and, as observers, one full-time Audit & Supervisory Board Member and one Audit & Supervisory Board Member specializing in finance. The committee meets periodically in order to draft and assess the Annual Securities Reports ("*Yukashoken Hokokusho*") and the Quarterly Reports ("*Shihanki Hokokusho*") pursuant to the Financial Instruments and Exchange Act. And the committee also meets in response to extraordinary events such as important decisions and material facts that must be disclosed immediately.

In accordance with the intent and meaning of fair disclosure rules set out in the Financial Instruments and Exchange Act, the Company takes all reasonable care to avoid selective disclosure of information, such as by simultaneously releasing Japanese and English versions of results briefing materials with attached explanations and the minutes of question-and-answer sessions via the corporate website, and by working to enhance the timely and fair disclosure of information in order to promote proactive dialogue with investors.

2. Company regulations for information disclosure

The Company has declared that "The Kubota Group makes appropriate and timely disclosure of corporate information and fulfills its responsibilities for transparency and accountability in corporate activities" in the "Kubota Group Charter for Action" and has stipulated "Appropriate and Timely Disclosure of Corporate Information" and "Prohibition of Insider Trading" in the "Kubota Group Code of Conduct." The Company strives to promote awareness and ensure thorough efforts in regard to the "Kubota Group Code of Conduct" and prevention of insider trading before it occurs through conducting education tailored to each management level within the Company.



Information for investors

www.kubota.com/ir/

Directors and Senior Management (as of March 19, 2021)

Directors

Chairman and Representative Director Masatoshi Kimata	Directors and Senior Managing Executive Officers Toshihiko Kurosawa Dai Watanabe
President and Representative Director Yuichi Kitao	Outside Directors Yuzuru Matsuda Koichi Ina Yutaro Shintaku Kumi Arakane
Director and Executive Vice President Masato Yoshikawa	

Audit & Supervisory Board Members

Audit & Supervisory Board Members Toshikazu Fukuyama Yasuhiko Hiyama
Outside Audit & Supervisory Board Members Masaki Fujiwara Yuichi Yamada Yuri Furusawa

Executive Officers

Senior Managing Executive Officers Haruyuki Yoshida Yuji Tomiyama Kazuhiro Kimura	Managing Executive Officers Kaoru Hamada Yasuo Nakata Takao Shomura Kazunari Shimokawa Mutsuo Uchida Nobuyuki Ishii Kazuhiro Shinabe Ryuichi Minami Yoshimitsu Ishibashi Yasukazu Kamada Katsuhiko Yukawa Ryoji Kuroda Eiji Yoshioka Hiroyuki Kimura Muneji Okamoto	Executive Officers Koichiro Kan Hirohiko Arai Tomohiro Iitsuka Kazushi Ito Koichi Yamamoto Mampe Yamamoto Hitoshi Inada Shingo Hanada Nobushige Ichikawa Shinichi Fukuhara Hideki Mori Junji Ota Takanobu Azuma
---	---	---

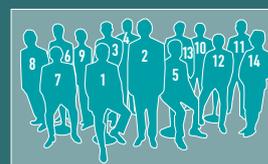
Executive Skills Matrix

Name	Position	Outside	Areas of specialization and experience							Nomination Advisory Committee	Compensation Advisory Committee
			Experience in corporate management	Innovations/R&D	Sales/Marketing	Manufacturing/Quality control	Legal affairs/Compliance	Finance	Global		
Masatoshi Kimata	Chairman and Representative Director		●		●	●				●	
Yuichi Kitao	President and Representative Director		●	●		●				●	
Masato Yoshikawa	Director and Executive Vice President				●		●	●		●	●
Toshihiko Kurosawa	Director and Senior Managing Executive Officer			●	●				●		
Dai Watanabe	Director and Senior Managing Executive Officer			●	●	●		●	●		
Yuzuru Matsuda	Director	●	●	●					●	●	●
Koichi Ina	Director	●	●		●	●				●	●
Yutaro Shintaku	Director	●	●	●				●	●	●	●
Kumi Arakane	Director	●		●	●	●		●		●	●
Toshikazu Fukuyama	Audit & Supervisory Board Member (Full-time)						●	●	●		
Yasuhiko Hiyama	Audit & Supervisory Board Member (Full-time)				●	●	●		●		
Masaki Fujiwara	Audit & Supervisory Board Member	●					●	●	●		▲ (observer)
Yuichi Yamada	Audit & Supervisory Board Member	●					●	●			
Yuri Furusawa	Audit & Supervisory Board Member	●					●		●		

(Notes) 1. The above table, considering each person's experience and other factors, shows the areas in which they have more specialized expertise, and is not an exhaustive list of the areas of expertise that they can offer.

2. Other than members of the Compensation Advisory Committee in the above table, Mr. Kazuhiro Kimura, a Senior Managing Executive Officer, also serves as a member of that committee.

Directors and Audit & Supervisory Board Members



- Masatoshi Kimata
Chairman and Representative Director
- Yuichi Kitao
President and Representative Director
- Masato Yoshikawa
Director and Executive Vice President
- Toshihiko Kurosawa
Director and Senior Managing Executive Officer
- Dai Watanabe
Director and Senior Managing Executive Officer
- Yuzuru Matsuda
Outside Director
- Koichi Ina
Outside Director
- Yutaro Shintaku
Outside Director
- Kumi Arakane
Outside Director
- Toshikazu Fukuyama
Audit & Supervisory Board Member
- Yasuhiko Hiyama
Audit & Supervisory Board Member
- Masaki Fujiwara
Outside Audit & Supervisory Board Member
- Yuichi Yamada
Outside Audit & Supervisory Board Member
- Yuri Furusawa
Outside Audit & Supervisory Board Member

Internal Control

Internal Control System

The internal control system of the Kubota Group is a mechanism for clearly providing the rules that should be followed during the performance of business, and for checking whether or not business has been managed according to those rules. This system consists of the segments of business management, which entails the performance of business operations based on rules, and risk management, which entails the management of major risks in management.

In business management, basic matters necessary for operating businesses are determined in business rules, and each business division checks its daily business operations in accordance with the business rules. Business rules comprise common business rules (basic rules) and functional business rules.

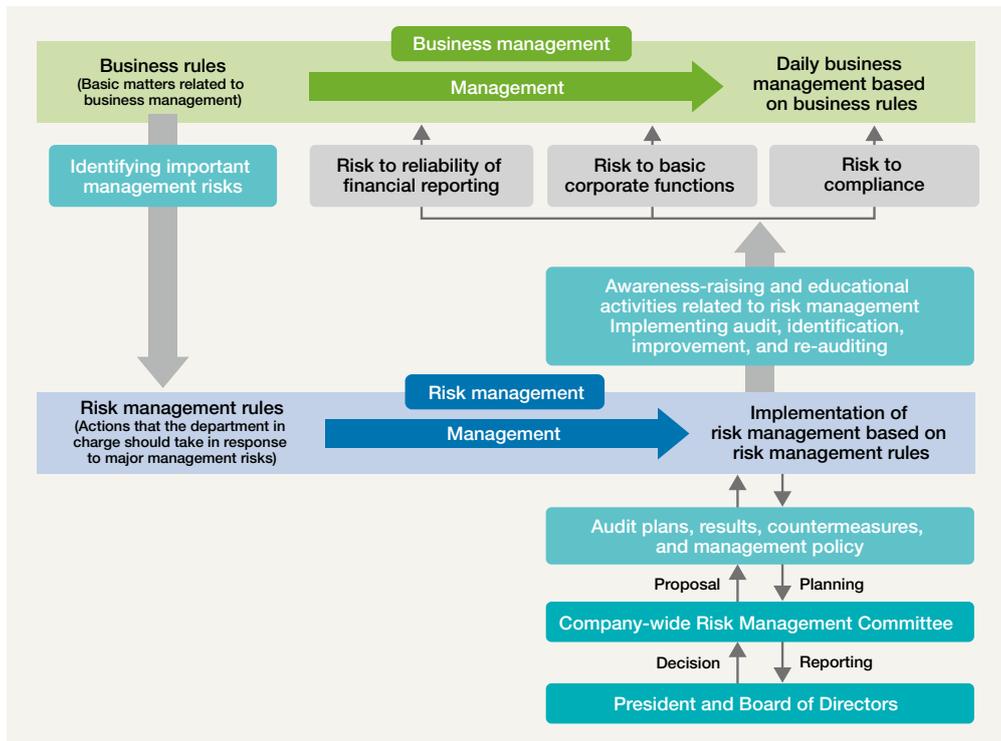
In risk management, operations that each department in charge of risk management should implement are determined in the risk management rules. Based on these rules, necessary actions to be promoted for risk management are identified and the departments are audited, thereby verifying the effectiveness of the risk management.

In the internal control system, major risks in Kubota’s management are classified into the following three categories:

1. Internal control over reliability of financial reporting
2. Internal control over the basic functions of the company, such as fair trade, environmental conservation, and health and safety
3. Internal control over compliance, such as compliance with rules and regulations related to equipment, and import and export control

To avoid these risks, each department in charge implements necessary actions to be promoted and conducts audits of the relevant operational division, and reports the results and the measures for the next fiscal year to the President and the Board of Directors. Thus the PDCA cycle for risk management is implemented properly.

Internal Control System Overview



Internal Control System Operation Activities (Risk Management Activities)

Kubota positions risk management activities as part of its business activities. Based on the awareness that risk management is the foundation of business activities, Kubota identifies risks common to the entire Kubota Group, such as those relating to the reliability of financial reporting, and exerts efforts to manage risks appropriately through continuous steady improvement to “immediately correct any inadequacies.” At the same time, while accelerating the global development of its businesses, Kubota strongly recognizes that risk management activities are the foundation for the continuity of its businesses, and strives to improve such activities both in Japan and overseas.

Number of Audits and Contents of Risk Management

Risk management items		Risk to be avoided	Number of audited items for FY2020*1
Internal control over reliability of financial reporting	Financial reporting	<ul style="list-style-type: none"> • Risk to reliability of financial reporting 	9,466
Internal control over the basic functions of the Company	Fair trade	<ul style="list-style-type: none"> • Bid-rigging and price cartels • Unfair trading concerning trading with distributors, etc. • Non-compliance with the Subcontract Act 	83
	Environmental conservation	<ul style="list-style-type: none"> • Non-compliance with laws and regulations • Environmental accidents • Past environmental debt 	11,991
	Health and Safety	<ul style="list-style-type: none"> • Occurrence of serious accidents • Occupational illnesses • Administrative disposition and litigations 	777
	Quality assurance	<ul style="list-style-type: none"> • Occurrence of quality problems detrimental to the Kubota brand, etc. 	569
	Labor management	<ul style="list-style-type: none"> • Breach of obligation on attention to safety of employees • Improper management of working conditions • Improper management of employees under irregular employment, and contract and temporary workers • Occurrence of overseas labor problems 	7,531
	Information security	<ul style="list-style-type: none"> • Computer virus infection • Information leakage • Information system failure 	1,992
	Intellectual property	<ul style="list-style-type: none"> • Infringement of other companies' intellectual property 	781
Internal control over compliance	Compliance with rules and regulations related to equipment	<ul style="list-style-type: none"> • Non-compliance with laws and regulations of the Building Standards Act, the Fire Service Act, and the Industrial Safety and Health Act, etc. in connection with assets and facilities owned by Kubota 	560
	Earthquake and other disaster response management	<ul style="list-style-type: none"> • Important managerial losses including danger to human lives due to earthquakes and other disasters, damage to equipment, and destruction of the information system 	100
	Compliance with the Construction Business Act	<ul style="list-style-type: none"> • Non-compliance with the Construction Business Act 	594
	Human rights advancement*2	<ul style="list-style-type: none"> • Occurrence of human rights violation issues 	—
	Safe driving management	<ul style="list-style-type: none"> • Accidents arising from non-compliance with traffic laws and regulations and violating acts 	201
	Prevention of illegal payments	<ul style="list-style-type: none"> • Trading with antisocial forces • Non-compliance with the Political Funds Control Act • Making inappropriate payments to overseas public servants 	38
	Classified information management	<ul style="list-style-type: none"> • The outflow of classified information including plans for development and sale of new products 	1,085
	Protection of personal information	<ul style="list-style-type: none"> • Leakage and loss of personal information related to customers, employees, etc. • Improper use of personal information 	246
	Import and export control	<ul style="list-style-type: none"> • Non-compliance with laws and regulations related to importing and exporting, including the Customs Act, the Foreign Exchange and Foreign Trade Control Law, the Basel Convention, and laws related to chemical substances 	109
Compliance with laws and regulations related to logistics	<ul style="list-style-type: none"> • Non-compliance with the three major road laws, including the Road Traffic Act; and with the laws and regulations related to distribution, including the Labor Standards Act, etc. 	639	

*1 Number of audited items is a sum of the number of items audited in each of the divisions subject to audit.

*2 Activities for human rights advancement focused mainly on training, the release of information, and the follow-up of survey results.

Kubota Hotline (whistleblowing system)

As a framework to support risk management, Kubota operates a whistleblowing system. This system aims to prevent, or quickly detect and correct, any illegal or unethical acts as well as to develop an open corporate culture.

[Types of contact points and matters handled]

- Corporate Compliance Department: Compliance issues other than human rights (anonymous reporting acceptable)
- Human Rights Advancement Department: Issues of human rights (anonymous reporting acceptable)
- Outside lawyers: Compliance in general including human rights issues

* Human Rights Advancement Consultation Office has been established at each company and business site so that people can more easily seek consultation.
* Starting from 2017, consultation by e-mail, in addition to telephone, is acceptable for outside lawyers.

[Available to]

Full-time, part-time and temporary employees of Kubota and its Group companies in Japan

* Each overseas location handles reporting individually and notifies the Kubota head office of any significant issues.
* Starting from 2017, all whistleblowing cases in China are reported to the Kubota head office.

[Protection of informants]

The Whistleblowing System Operation Rules clearly state:

- “the informer shall not be disadvantaged as a result of reporting an issue.”
- “excluding cases necessarily requiring investigations and official reporting, the content of the reported issue, personal information obtained during investigations, and all other information shall not be used or disclosed.”

[Activities to raise awareness of the system]

Various creative ways have been employed to alleviate unease about the system, which is often the result of a lack of understanding.

The Company newsletter and website provide information on:

- The number of reports received for each content category, and past cases (outline)
- The flow of processes for using the Hotline
- The objective of the system, protection of informants, handling of anonymity, etc.

[Number of cases reported (in Japan)]

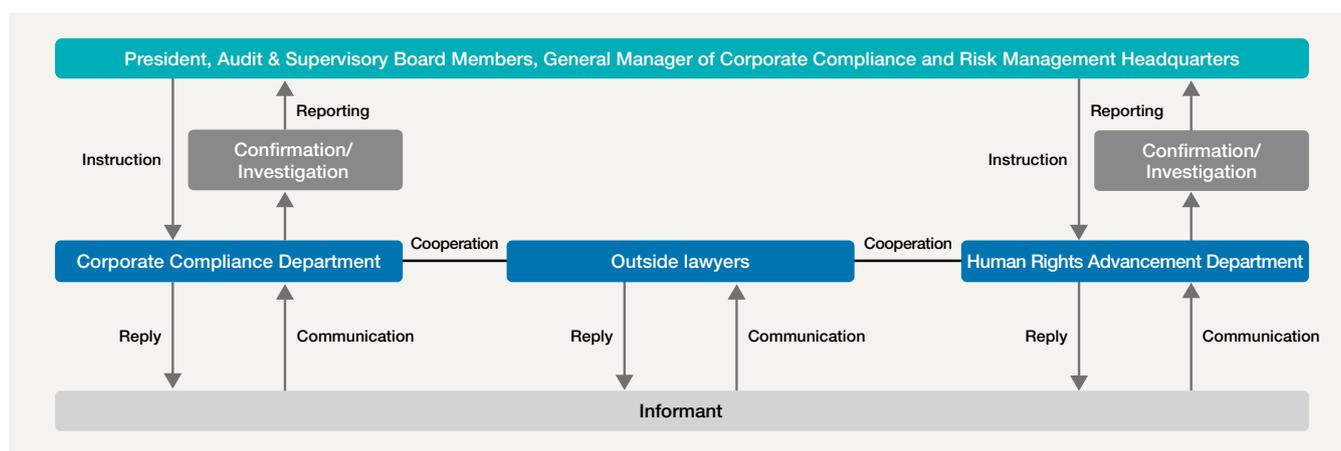
Period	Number of cases
Jan.–Dec. 2016	30
Jan.–Dec. 2017	52
Jan.–Dec. 2018	71
Jan.–Dec. 2019	59
Jan.–Dec. 2020	74

* Including enquiries and matters that were found not to be problematic as a result of investigation

[Other]

Moreover, we have set up a space to write free comments in the Kubota Group Employee CSR Awareness Survey, which is answered in anonymity. It is an opportunity for employees to give their frank reports and opinions, enabling the Company to develop an open corporate culture.

Flowchart of Kubota Hotline



Securing Reliability of Financial Reporting

Kubota has established and operates an internal control system in order to confirm the reliability of financial reporting for the entire Kubota Group, including its overseas subsidiaries.

Also to confirm the effectiveness of the system, the Corporate Auditing Department and the auditing divisions of the subsidiaries conduct regular internal audits.

Kubota has also created a system for evaluating the effectiveness of internal controls on a Group consolidated basis. This assessment is based on the results of the abovementioned auditing results, and conforms to the internal control reporting system related to financial reporting stipulated by the Finance Instruments and Exchange Act (J-SOX) and other ordinances.

Compliance with the Anti-Monopoly Act/Competition Law

We realize that full implementation of compliance is key to establishing Kubota as a Global Major Brand. The Kubota Group therefore engages in the risk management activities set out below to ensure advance preventive action against any infringement of antimonopoly or competition law.

Education and Enlightenment Activities

Kubota continuously offers training programs on the Anti-Monopoly Act/Competition Law at its business divisions as well as its Group companies, for enlightenment and awareness-raising to ensure compliance. Legal training programs, which cover a broad range of legal matters including competition laws, are also provided for employees who are to be dispatched to overseas Group companies as managers.

Auditing and Risk Management Surveys

Kubota continuously conducts audits under the Anti-Monopoly Act, including on-site inspection, targeting Kubota and its Group companies in Japan. For overseas Group companies as well, Kubota conducts written audits opinion exchange meetings and other activities through which it determines the status of risk management.

Maintaining and Expanding the Consultation System

Kubota shares information with the relevant business departments and Group companies on matters related to business activities of Kubota and its Group companies that require examination under the Anti-Monopoly Act, and implements necessary measures including facilitating advance consultation with lawyers and other external experts.

Compliance with the Act against Delay in Payment to Subcontractors

Kubota conducts written surveys targeting each of its business divisions and Group companies in Japan on a periodic basis. Kubota also offers training programs to promote understanding of the Act against Delay in Payment to Subcontractors at each business site and Group company and holds consultancy sessions concerning practical operations, such as ordering, related to the Subcontractors Act, thereby developing voluntary risk management systems.

Information Management

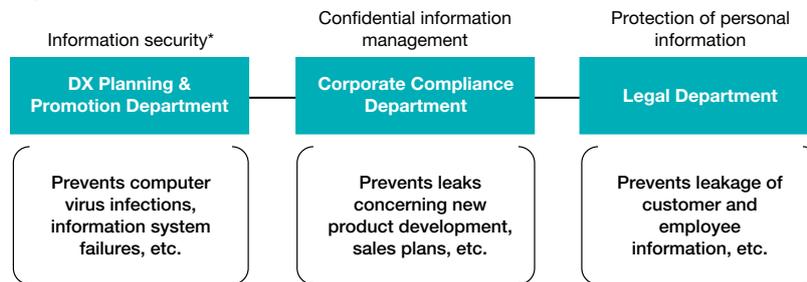
Kubota is aware that the appropriate protection and management of the personal information of its customers and other stakeholders is an important social responsibility. In order to secure its competitiveness, Kubota is also devoted to preventing the leakage of confidential information such as technological information.

Depending on the type of information, Kubota appoints main divisions to conduct ongoing activities such as revising rules, auditing and awareness-raising at their respective locations. These activities are also conducted at overseas bases. When necessary, these divisions cooperate with each other in risk management.

In 2020, Kubota took steps to implement and reinforce the security infrastructure needed to support flexible working styles not restricted by time or place, such as working from home.

With Kubota-CSIRT—an organization for managing information security-related incidents/accidents—at the helm, in 2021 Kubota will further enhance its initiatives to prevent information security-related incidents/accidents, respond promptly if they occur, and minimize damage.

Information Management System



* Initiatives to ensure information security

To enhance security for personal information and other information assets of the customers, Kubota promotes on a company-wide basis the implementation of the initiatives below:

- (1) Establishing the Group-wide information security policy, continuously developing various regulations and guidelines, and monitoring the status of compliance therewith.
- (2) Assigning personnel in charge of promoting information security (IT Manager) at each workplace and implementing Group-wide measures based on the policies formulated by the department in charge.
- (3) Introducing to all PCs an automatic monitoring program to constantly monitor the status of various security protection measures, such as anti-virus systems. Overseas, taking into consideration each local situation and improving information security in cooperation with the IT managers of each local site.
- (4) Providing IT managers and sub-managers with education and enlightenment programs on a periodic basis. For Group employees, also providing e-learning courses on personal information protection and information security, with the aim of raising understanding of the information security matters that each employee should observe.



Prevention of Illegal Payments

Kubota Group has placed particular focus on preventing bribery among risk management activities on the preventing illegal payment, and will work to achieve SDGs Target 16.5: Substantially reduce corruption and bribery in all their forms.

Amid increasing international moves to anti-bribery, we marked December 9 – designated by the United Nations as International Anti-Corruption Day – by broadcasting a President’s Message to all Kubota Group officers and employees every year. In the message, our top management made a clear commitment by declaring that ‘Kubota Group rejects bribery and all other inappropriate business practices.’

As a focused initiative to educate officers and employees on prevention of bribery, Kubota Group runs a program of training sessions in Japan and overseas. In FY2020, under coronavirus pandemic, new approach were taken such as web-based training sessions and an e-learning program to prevent further spread of infection. In the web-based training, information on bribery-related legislation and enforcement conditions in each country is presented as well as the case studies of bribery. And the e-learning was prepared to have an impact to the viewers by introducing a message movie from the President of Kubota Corporation at the beginning, as well as adopting movies and comprehension test in the program. Through continuous program of training sessions, Kubota Group seek to disseminate the latest information and to promote awareness of bribery prevention.

Additionally, we have put together a Kubota Group Handbook for Anti-Bribery which outlines our Anti-Bribery Policy and the main points of our Anti-Bribery Guidelines. The Handbook is issued in a global version with universal content available in Japanese, English and French, and in individual country versions that supplement the universal content with more detailed information on the points to be noted and actions to be taken in the particular country or region. These are available for China, Thailand, Korea, Indonesia, Myanmar, the Philippines, Vietnam and Mexico.

Meanwhile, as an initiative directed toward outside the company, ‘Request to Suppliers’ was posted on the Kubota website in the name of the General Manager of the Corporate Compliance and Risk Management Headquarters. The text outlined to suppliers the Kubota Group’s approach to bribery prevention and asked for their understanding and cooperation in bribery prevention activities.

To verify these risk management activities, Kubota Group has established the Committee on Prevention of Illegal Payments. In FY2020, document surveys were conducted at 11 departments/companies in Japan and 39 overseas bases to investigate whether preventive framework were in place and sufficiently functioning, as well as whether there were any illegal payments.

The policies for these risk management activities and the results of the activities are periodically reported to the President, the Board of Directors, and the Audits & Supervisory Board through the Company-wide Risk Management Committee, composed mainly Directors, and based on their feedback, the contents of activities are occasionally revised thereby improving the level of the activities.



Message from Mr. Kitao, President, Kubota Corporation
(Screenshot of Thomson Reuters e-learning)

The Kubota Group Anti-Bribery Policy (Excerpt)

As specified in the Kubota Group Charter for Action, we commit ourselves to “conducting corporate activities based on compliance with legal regulations and ethical principles.” As such, Kubota Group never allows business based on unfair practices such as bribery. The Group also strictly prohibits all of its companies, officers and employees from being involved in bribery.

President, Kubota Corporation

Kubota Group Charter for Action & Code of Conduct

All the employees working for the Kubota Group, including those overseas, are required at the time of joining the Group to submit a written pledge that they will comply with the Kubota Group Charter for Action & Code of Conduct, and the corporate principles, the Kubota Global Identity.

Furthermore, various tools for education and awareness-raising are prepared with the aim of fostering a mindset based on compliance and the corporate principles.

* As part of its efforts to prevent recurrence of inappropriate actions regarding inspection reports, in FY2018 all employees of Kubota read out the Kubota Group Charter for Action & Code of Conduct at their respective workplaces. Workers reaffirmed the importance of compliance and points that require particular care. In FY2019, this initiative was extended to all Group companies in Japan, with group reading sessions held in every workplace. The reading out of the Charter continued at Group companies in Japan in 2020 (done remotely due to concerns about COVID-19).

Period	No. of participants
Nov.-Dec. 2019	27,018
Nov. 2020- Feb. 2021	26,860

Employees who were absent or otherwise unavailable during the period were given a separate opportunity to participate in the initiative at the workplace.

Kubota Group Charter for Action & Code of Conduct (items)

1. Winning Customer Satisfaction
 - (1) Product Safety and Superior Quality
 - (2) Responding to Customer Requests and Complaints
 - (3) Appropriate Advertising and Labeling
2. Conducting Corporate Activities Based on Compliance with Legal Regulations and Ethical Principles
 - (1) Legal Compliance and Observance of Corporate Ethics Are Basic Conditions for Corporate Activities
 - (2) Observance of Laws of Individual Countries and Regions, as well as International Rules
 - (3) Early Detection and Prevention of Misconduct
 - (4) Compliance with Fair Trade Laws and Regulations
 - (5) Fairness and Transparency in Transactions
 - (6) Compliance with Internal Rules
 - (7) Prohibition of Activities Contrary to the Proper Interest of the Company
 - (8) Preservation of Company Assets
 - (9) Respect for and Usage of Intellectual Property
 - (10) Management of Confidential Information
 - (11) Security of Electronic Information
3. Respecting Human Rights
 - (1) Respecting Human Rights
 - (2) Prohibition of Harassment
 - (3) Protection of Personal Information
4. Building up a Safe and Vibrant Work Environment
 - (1) In-depth Supervision of Safety, Sanitation, and Health
 - (2) Building up a Vibrant Work Environment
5. Conserving the Global and Local Environment
 - (1) Environmental Conservation Efforts in All Business Activities
 - (2) Global Environmental Conservation
 - (3) Environmental Protection to Create a Symbiotic Relationship with Local Societies
 - (4) Our Voluntary and Organized Efforts in Environmental Conservation
6. Achieving Symbiosis with International and Local Societies
 - (1) Respect of Culture and Customs of All Countries and Regions
 - (2) Compliance with Export and Import Laws and Regulations
 - (3) Elimination of Relationships with Antisocial Elements
 - (4) Proper Relationships with Political Groups and Government Organizations
 - (5) Rules for Entertainment, Gifts, and Donations
 - (6) Contributing to Society
 - (7) Firm Commitment to Safe Driving
7. Fulfilling Responsibilities for Improving Management Transparency and Accountability
 - (1) Appropriate and Timely Disclosure of Corporate Information
 - (2) Proper Accounting/Taxation Treatment
 - (3) Emphasis on Internal Audits
 - (4) Prohibition of Insider Trading



See here for the Kubota Group Charter for Action & Code of Conduct

www.kubota.com/company/csr/policy/conduct/

* Kubota makes adjustments to its Kubota Group Charter for Action & Code of Conduct as and when necessary in response to changes in the social environment as well as applicable laws, and partial revisions were made on January 1, 2019. Of particular note is the addition of "contractual obligations" to "We comply with all applicable legal regulations, specifications, standards, and contractual obligations with our customers and business partners" in "1. Winning Customer Satisfaction" in our Code of Conduct. We also clarified that guaranteeing safety for our customers is our utmost priority. These revisions were part of efforts to prevent recurrence of inappropriate actions regarding inspection reports, announced in FY2018.

Tools for Awareness-raising

Code of Conduct Guidebook

A guidebook describing the Kubota Group Charter for Action and Code of Conduct in a straightforward way using illustrations and explanations. In September 2019, the guidebook was revised and issued to all domestic Kubota Group employees. It was then used in group reading sessions held at each workplace. The reading out of the Charter continued at Group companies in Japan in 2020 (done remotely due to concerns about COVID-19).

Compliance Support Courier

A document that uses illustrations and Q&As to encourage employees to think about common compliance issues. Distributed monthly by e-mail.

Learning from hotline cases

This is a feature appearing in the Company newsletter, which is issued every other month. Using examples from the Kubota Hotline for whistleblowers, readily relatable cases that could occur at any workplace are presented as a way of improving individual commitment to and awareness of compliance and preventing recurrence. Following an outline of the real-life example in the form of a *manga* cartoon, its main points are discussed.