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2003

2011 2012

Front Lines of

Value Creatio

History of the Kubota Group

Kubota began its business by manufacturing and selling cast metal products. Since that time, Kubota has tackled the issues that have faced society in each age, pursuing the essence of manufacturing while endeavoring to resolve each one. Going forward, too, Kubota will work to protect our beautiful global environment and continue to support for prosperity in society and the cycle of nature.



1974

1989

1922

An "Essentials Innovator for Supporting Life," committed to a prosperous society and cycle of nature



Food

By making agriculture more efficient, we contribute to the abundant and stable production of food.

Water

By developing water infrastructure, we contribute to reliable water supply and restration.

Environment

By developing social infrastructure, we contribute to the creation and the preservation of comfortable living environments.

Front Lines of

Value Creati

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

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



the global food challenge

Forecasts Indicate Insufficient Food Resources and Fewer Agricultural Workers, Worldwide

Water

Kubota's initiatives in global water challenges

Serious Issues in Water Shortages, Floods, and Aging Infrastructure

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Increasing Global Population and Demand for Food

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

A United Nations forecast states that, while in 2019 the global population was 7.7 billion, it will likely rise to 9.7 billion by 2050, and 11.0 billion by 2100.*1 Due to this population increase and further economic growth, in 2050 global food demand is predicted to be 1.7 times greater than in 2010.*² Another report estimates that 820 million people — about one person in nine globally — do not have enough food to eat.*³ One of the United Nations' Sustainable Development Goals (SDGs) calls for improved nutrition and the end to hunger throughout the world. This will require the promotion of sustainable agriculture on a global scale, with a reduction in food loss and waste.

*1. World Population Prospects 2019, United Nations

- *2. Global Demand for Food in 2050 (September 2019), Japan's Ministry of Agriculture, Forestry and Fisheries
- *3. 2019 The State of Food Security and Nutrition in the World, Food and Agriculture Organization (FAO) of the United Nations

Not Enough Safe Water for the World's Population

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

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

- *1. Progress on household drinking water, sanitation and hygiene 2000-2017: Special focus on inequalities, Joint Monitoring Programme (JMP) promoted by the United National Children's Fund (UNICEF) and the World Health Organization (WHO)
- *2. OECD Environmental Outlook to 2050 (2012), Organisation for Economic Co-operation and Development (OECD)

Rapid Urbanization: A Global Issue

Rapid urbanization boosts demand for better social and industrial infrastructure

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

* World Population Prospects 2019, United Nations

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

Aging Farmers and Labor Shortage

A growing need for agricultural efficiency and higher productivity

Aging farming populations and labor shortages are worldwide issues in agriculture. In Japan, 2.60 million people were engaged in agriculture in 2010, but only 1.68 million in 2019.^{*1} Of the latter number, 1.18 million (about 70%) were age 65 or older.^{*1} The average age being 67.^{*1} The total number of people employed in agriculture is declining in many countries.^{*2} And yet, at the same time worldwide grain consumption is trending upward, due to a growing population in developing countries and rising income levels. Thus, with fewer workers and a greater need for more farmed land, the world is facing a growing demand for agricultural efficiency and better productivity.

- *1. Employment in Agriculture, The World Bank (September 2019 data)
- Agricultural Labor Statistics, Japan's Ministry of Agriculture, Forestry and Fisheries (2019 data)

Obsolescence: A Threat to Water Infrastructure

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

In developed countries, especially, aging of water infrastructure is a growing issue. Even in Japan, which enjoys a high water supply penetration rate of 98% (2017 statistic^{*1}), most of them are pipelines laid during the country's period of high economic growth in 1950's and 1960's. This means that a growing percentage are surpassing their legislated 40 years of useful life. In North America and Europe, too, many water pipes are approaching their useful life, or are even older.^{*2} Aging water infrastructure runs the risk of leakage and associated problems; and the risk continues to grow. Tremendous damage may occur during an earthquake or other disaster, resulting in shutting down access to lifeline. As a safeguard, upgrades must be planned throughout the world.

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

Heritage Cityscapes Conservation and Aging Challenges

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

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

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Population Growth Spurs

Urbanization, Raising Demand

for Better Social and Industria

Infrastructure







Front Lines of

Value Creation

Long-Term Vision "GMB2030"

The Kubota Group's long-term goal is to realize Global Major Brand Kubota (GMB Kubota), by which we e satest i, and the i, and the if for the entire issues in a variety of issues in mean a company that can make the greatest contribution to society by earning the trust of the greatest number of customers, and achieve this by resolving social issues in the fields of food, water, and the environment. As we move toward a world in which it is normal to live a sustainable life, in order for the entire Group to share the direction that Kubota should take and accelerate efforts to realize these goals, we have formulated our Long-Term Vision "GMB2030" which looks ten years ahead. Value we poorder. In the areas of food, water, and the should be areas of food, water, and the shutching areas of food, water, and the shutching of the shutchi Megatrends that attract Kubota's attention Achieving both economic growth and source recycling Our vision for **Business development** (Circular economy) **Initiatives for New Solutions** the Kubota Group in 2030 Net zero greenhouse gas emissions (Carbon neutral) Total solutions across all products, technologies and services A society where the marginal cost of products is close to zero through Solutions to improve recycling and sharing An "Essentials Innovator for urban and living Formation of new small- and environments Supporting Life," Committed to a medium-sized community that is not obsessed only with global capitalism **Prosperous Society and Cycle of** Expansion of existing businesses Nature Value we p Social issues in the three fields of food, Expansion of more suitable businesses, products, and services to the regional society water, and the environment Kubota's initiatives to the global food challenge Forecasts Indicate Insufficient DX Innovation Food Resources and Fewer Agricultural Workers, Worldwide Building a foundation to create Digital transformation Value we provide 2: innovation Kubota's initiatives in global water challenges KPS Investment Investment to strengthen business proving management efficiency by positionir Serious Issues in Water structure streamlining of manufacturing at the core Shortages, Floods, and Aging Respectively of the substantial Infrastructure ESG Kubota's initiatives to the global Management based on living environment challenges comprehensive corporate value Population Growth Spurs Urbanization, Business foundation to be strengthened Raising Demand for Better Social and Industrial Infrastructure **Kubota Global Identity** Mission "For the prosperity of society, we need to put all of our Food, water, and the environment are indispensable for human beings. The Kubota Group continues to support the future of the efforts into creation." earth and humanity by contributing products that help the abundant "Our products should not only be technically excellent, and stable production of food, help supply and restore reliable but also useful for the good of society." water, and help create a comfortable living environment through its Founder: Gonshiro Kubota superior products, technologies, and services





Realizing Global Major U rand Kubot

Business development

Front Lines of Value Creation

The Kubota Group's Total Solutions

By having each business field work together and cooperate with each other, we can create new value and offer total solutions in the fields of food, water, and the environment as a "One Kubota."

GMB Long-Term Vision Realizing "Global Major "GMB2030" Brand Kubota" Solutions to enhance Through mutual cooperation and work, the productivity and our business fields create synergies safety of food Solutions to enhance the productivity and safety of food Solutions to promote Total solutions across the circulation of water all products, resources and waste technologies and services Solutions to promote Solutions to improve urban the circulation of water and living environments resources and waste Solutions to improve 2030 urban and living environments • 2020

29



Initiatives for new solutions

Global agriculture faces a range of issues, including food shortages and a shrinking farming population. To address these problems, we plan to develop autonomous and unmanned agricultural machinery as well as automated farm management system that utilizes AI to improve crop yields and quality, and so raise agricultural productivity. By collaborating with the agricultural sector as well as other industries, we will create an open agri-platform and provide solutions for the entire food value chain. We will help create agricultural industries that are all appropriate for their regions and their times.

usiness elopment

- Yield expansion, crop quality improvement, and productivity improvement
- (e.g. advanced Smart Agriculture)Solving issues across the entire food value chain(e.g. construction of an open agri-platform)
- Production of next-generation crops

Through the purification of domestic wastewater and sewage, we are improving water quality and reducing pollution caused by processes that are a part of economic development. We are also helping to recycle water resources through products and services that use water reclamation technologies. In line with efforts toward a circular economy where waste from economic activities becomes a resource, we will build a total solution for resource recovery and reproduction based on the recovery technology of phosphorus or valuable metals, combined with other companies' technologies.

usiness elopment

- Reduction of environmental impact from social and industrial activities
- Purification and reuse of domestic wastewater and sewage
- Zero landfill waste and resource recovery from waste (e.g. provision of resource recovery solutions)
- Establishment of an eco-system for CO2 reduction

In developed countries in particular, responding to the aging of water supply and sewage treatment facilities, personnel shortages, and preparedness for natural disasters are urgent issues. As a water specialist that has continued to refine its skills for more than 130 years, we put in place efficient facility management platforms that allow remote observation, diagnosis, and control of water environment equipment using IoT-linked systems. Also, by providing products and services that are resilient to earthquakes and other disasters, we are contributing to safe, secure, and sustainable infrastructure.

usiness elopment

- Improving the efficiency of urban social infrastructure management
- (e.g. building a water and environment platform)Creation of higher quality, more comfortable and safer living spaces

To accelerate the achievement of our Long-Term Vision "GMB2030," we have identified four areas we wish to focus on, and have broken these down into 12 points of materiality that consider the demands of society and our stakeholders, as well as our goals and management direction. Going forward, each materiality will have key performance indicators (KPIs) set, and through disclosure and dialogue we will earn stakeholders' understanding and empathy.



Materiality investigation process



Indicators related to what we hope to achieve (solving environmental and social problems through business)

Materiality		Meaning	Indicators	
	Enhancing the productivity and safety of food	Create value by developing sustainable agriculture and constructing a food value chain, by using smart agriculture and new solutions	 Progress of smart agriculture and other new solutions Status of smartification and application of autonomous technologies 	
pusiness	Promoting the circulation of water resources and waste	 of Create value by bringing about a recycling- oriented society and a natural recycling loop, by using resource recovery and new solutions Progress of resource r new solutions Status of resource rec 		
through	Improving urban and living environments	Create value by improving sustainable urban and living environments, by using water environment platforms and new solutions	 Progress of water environment platform and other new solutions 	
	Mitigation of and adaptation to climate change	Help reduce society's greenhouse gas emissions overall, through our business activities (products and services) and through new technologies and solutions	Emissions in Scopes 1, 2, and 3Status of decarbonization efforts	

Indicators for how we hope to achieve our goals

	Materiality	Indicators	What the indicators represent
	Business operations based on	Proportion of female and foreign employees at Executive Officer level or	Whether, or not, there is diversity among managing executives
novation	diverse values	 Proportion of female managers 	Whether, or not, there is diversity among managers and the next generation of managing executives
u	Strengthening of R&D and partnerships • Patent Asset Index (total value of patent portfolio)		Whether, or not, we have a high level of R&D capabilities and strength in innovation
	Improvement of employee	• Employee engagement score	Achievement, or not, of an environment where employees can fulfill their maximum potential
irs	growth and job satisfaction	• DX personnel	Presence, or lack, of DX-related capabilities, a common theme in our Mid-Term Business Plan 2025
takehold	Customer satisfaction and safety	tomer satisfaction and ty • Customer/dealer satisfaction	
õ	Enhancement of transparency and dialogue	Evaluation level from outside evaluators	Whether, or not, there is a high degree of transparency in our business management, when looked at objectively
		activities	Whether, or not, we are giving due consideration and responding to non- business-related regional issues
	Strengthening of corporate governance	Strengthening of corporate • Evaluation level for the effectiveness of the Board of Directors	
Governance	Penetration and practice of K-ESG management	• Permeation of K-ESG management	Whether, or not, the way of thinking behind K-ESG management, the ethical and behavioral model to achieve the goals of the Long-Term Vision "GMB2030," has taken root
	Strengthening of risk management	Response to human rights due diligence	Whether, or not, human rights risks in the supply chain are minimized



Mid-Term Business Plan 2025

With the aim of becoming an "Essentials Innovator for Supporting Life," committed to a prosperous society and cycle of nature-as outlined in our Long-Term Vision "GMB2030"-we formulated Mid-Term Business Plan 2025 and have been working since 2021 to that end. We plan to promote our five main themes and DX as a common theme, and develop business operations that position ESG at the core of management.

Outline of Mid-Term Business Plan 2025

We have selected the five years that Mid-Term Business Plan 2025 covers as a period in which we will complete the foundations from which we can achieve the goals of our Long-Term Vision "GMB2030." The plan was then created by working backwards from our ideal for 2025

The plan aims to both make new investments and improve

profitability by having ESG perspectives at the heart of our decisionmaking processes, and expanding sales and raising profit margins in existing businesses. Looking to the next generation, we will invest our management resources proactively and systematically in an organized manner.



Promotion of ESG management

Shift to business operations that position ESG at the core of management

Due to changes in values resulting from the growing severity and complexity of environmental and social issues, customer needs and investment have converged toward the resolution of the problems facing society. Kubota sees this situation as a chance to leap forward and aims to develop its traditional CSR

management-which focused on fulfilling social responsibilityinto our unique K-ESG management founded on its corporate principles, the Kubota Global Identity. By doing so, Kubota aims for sustainable corporate management.

Fundamental ESG management policy-the Kubota Group's unique ESG measure, K-ESG management

We believe that we can create corporate value - that incorporates both social and economic value-by resolving environmental and social issues through our business activities.

To that end, we aim to achieve the goals of our Long-Term Vision



ESG management promotion framework

To promote K-ESG management, we established the ESG Management Strategy Meeting and the ESG Promotion Department under the direct control of the President.

These bodies are placed to determine the Group's important management policies, and ESG will be recognized as the basis for



Initiatives and progress

Environment: We established our Environmental Vision, which looks to 2050, and are now pushing forward in the field systematically.

Society: We are working not only from the perspective of stakeholders, but also to improve employee growth and motivation in particular by introducing human resource training measures and diverse ways of working. We are moving ahead with the construction

	Category	
Е	Environment	 Set our Environmental Vision Established the Carbon Neutral Promotion Department Promoted conversion of cupola furnaces to electric furnaces
S	Society & Stakeholders	 Implemented measures to improve employee grow human resource training, etc.) Strengthened partnerships with society (industrial-a Hokkaido Ballpark, and support for new farmers)
G	Governance	 Advanced diversity (in terms of gender and nationality) among the managing executives. Recruited presidents of overseas subsidiaries from the local area Spread management policies through dialogue between the managing executives and other employees



"GMB2030" by focusing on points of materiality such as acceleration of innovation, stakeholder empathy and participation, and governance that increases sustainability.

decision making on future business development. We will set KPIs for each materiality and promote them while gaining understanding and empathy through disclosure and dialogue with stakeholders.

of relationships that will help us gain the empathy and participation of all stakeholders.

Governance: In addition to promoting diversity among the managing executives, we are working to strengthen our governance, such as by including elements of ESG in executive officers' evaluations.

Progress

- · Selected as a company to take on
- the Zero Emissions Challenge • Promoted compliance with TCFD
- recommendations



owth and job satisfaction (by promoting workstyle reforms, strengthening

al-academic collaboration with the University of Tokyo, agricultural studies at

- Added ESG elements to the list of factors that executive officers are evaluated on
- Improved the effectiveness of the Board of Directors through evaluation questionnaires

es

Establishment of the foundation for realizing our Long-Term Vision "GMB2030" that 2 supports the next generation

Solutions to enhance the productivity and safety of food-Toward the realization of Smart Agriculture

Using solutions that will help to enhance food productivity and safety, we are promoting initiatives to realize smart agriculture.

The first such initiative, as a way to expand and evolve the Kubota Smart Agri System (KSAS), is to expand solutions in each of the processes involved in crop production while making it open

source by linking to systems and applications provided by other companies.

The second is the setting of our Grand Design-which clarifies our targets for each of our key regions: Japan, Europe and North America, and ASEAN.

Expansion and evolution of KSAS



Solutions to promote the circulation of water resources and waste-Constructing a resource recycling business model

Using solutions that encourage the recycling of water resources and waste, we are promoting initiatives that aim to build a business model focused on resource recycling.

As well as investing in Ichikawa Kankyo Holdings, which is at the cutting edge of the resource recycling field, we have launched projects that look to combine their resources and expertise with our technologies.

We also began efforts aimed at the effective use of organic agricultural waste, an obstacle to carbon neutrality.



3 Improvement of revenue in existing businesses

Status-analysis and basis strategies

Analyze the current situation, and then deepen our existing businesses.

Deepening existing businesses

Expanding product lineup Expanding business through taking advantage of increasing demand for mechanization

Expanding after-sales business by utilizing abundant operating machineries

Expanding business related to renewal, maintenance and management of aging infrastructure

Development of sales networks mainly in emerging countries Strengthening measures for crops other than rice

Putting in place and promoting growth drivers

The following businesses are positioned as growth drivers for the next five years.

North America Construction Machinery Business

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

We are constructing a local development framework with the establishment of CE Engineering Dept. North America

- We will develop new compact track loader (CTL) models
- We will develop implements for these (smart attachments)
- We will commence CTL production in North America, working toward mass production in the autumn of 2022

Farm & Industrial Machinery After-market Business

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

- We will widen commercial product lineups through alliances with aftermarket companies in Japan and Europe
- We will start demonstration testing in Japan of operational data aggregation using construction machinery telematics
- We will complete the European Central Parts Center in 2022 (establishment of 3 pillars for repair parts supply, Japan, North America, and Europe)

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

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

R&D	 We will combine Escorts' frugal engineering phil Kubota's technologies We will promote the development of Kubota pro Escorts' R&D resources
Manufacturing & procurement	 We will introduce the Kubota Production System the level of manufacturing We will make wide use of low-cost, high-quality p India's procurement network and also supply these manufacturing sites
Sales	 We will enhance our market coverage ratio by e combining mutual sales networks and product I



ASEAN Farm & Industrial Machinery Business

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

- We will develop a variety of implements, particularly for dry-field farming use
- We will launch 3-metric-ton mini excavators that meet needs in Thailand
- We will strengthen cooperation between R&D, manufacturing and sales, and Kubota Farm (demonstration and training)

Water & Environmental Solutions Business

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

- We will strengthen the business framework, centered on the Water & Environmental Solutions Developing and Sales Department
- We will expand environmental O&M (Operation & Maintenance) and pipeline solutions businesses
- We will utilize IoT technologies such as those used in the automatic control of paddy water levels via KSIS and WATARAS

Business expansion policies

- Increase share of the tractor market in India
- Expand exports of basic machinery
- Assess viability of development and manufacture of products aimed at the basic machinery market in India (including combine harvesters and construction machinery)



Improvement of profit margin

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

- Kubota aims to generate a net increase in profit of 50.0 billion yen (compared to FY2019) in 2025 and both secure investment resources and improve profitability
- We expect to see steady progress of growth in profitable fields due to expansion in overseas repair parts business
- Kubota is also working on other measures. The effects will become apparent in the latter half of Mid-Term Business Plan.



5 Development of infrastructure that supports sustainable growth

Reform of the business management system

- -Transforming our operational structure in response to globalization
- We will promote local production for local consumption at production sites
- We will consider two-site production from the viewpoint of risk management
- We will enhance our consolidated performance management reports

Initiatives to secure and strengthen human resources

- -Aiming to strengthen human resources who support sustainable growth
- We will strengthen human resources by expanding employment of new graduates and mid-career hires
- We will promote the right person to the right place by expanding employment fields for each job type
- We will improve employee skills through on-demand education and business skills training
- We will start the development of human resources who can lead the DX

Strengthening risk management – Aiming to develop and expand an organization that can develop countermeasures more actively in response to various risks

BCP	Compliance	Cybersecurity	
 We are implementing disaster countermeasure projects We have formulated a draft policy aimed at stabilizing procurement (ensuring inventory in the short term, and procuring from multiple countries and suppliers in the mid- to long-term) 	 We will shift our risk management approach from being rules-based to being risk-based We will promote risk diversification through risk financing 	 We will strengthen security measures at the global level We will enhance global security governance by building regional IT contro structures 	
Common themes DX promoti	on		
Innovation in products, services, and production sites	Innovation in business processes	Innovation in communications and collaborations	
 We will diagnose ductile iron pipes using AI We will identify areas that require repair services early using AI data analysis of defect information We will enhance communication with customers using customer management systems We will start using AI image inspection in the manufacturing inspection process We will digitalize skills at production sites by analyzing workers' perspectives We will manage vehicles using construction machinery telematics 	 We will reduce office work and improve its efficiency through process automation We will accelerate data utilization across departments, such as quality assurance, procurement, services, and logistics, through DX platforms 	 We will promote communication with external parties using video (online events, etc.) We will enhance interdepartmental communication through in-house social media and two-way communication between the executive team and other employees 	

Accelerating R&D in response to changes in the business environment

Around the world, efforts to achieve carbon neutrality are picking up pace but this will require us to make a variety of technical developments. It is no exaggeration to say that these developments and the outcome of these efforts will determine the position the company finds itself in five or ten years' time. With this attitude in

Three R&D Acceleration Fields—Focusing on making society carbon neutral

As our agricultural and construction machinery is fitted with diesel engines, CO2 emissions increase as our business grows. That is why we believe we must take a two-pronged approach to grow the business at the same time as contributing to carbon



We will push to accelerate research and development in three key fields to achieve business growth, contribute to carbon neutrality efforts, and reduce agriculture-related greenhouse gas emissions.

The first is the development of carbon-free powertrain technologies. We are working toward this and deepening our cooperation with universities, local authorities, startups, and other bodies outside the company. The second is the promotion of smart agriculture through smart and autonomous technologies. This will contribute to resource and energy conservation and emissions reductions through water management and refined

mind, we wish to bolster and accelerate our research and development in important fields related to making society carbon neutral. That is why, in addition to the 400 billion yen budgeted for R&D in our Mid-Term Business Plan 2025, we have decided to invest an additional 100 billion yen by 2025.

neutrality. By developing next-generation power sources, we can reduce emissions throughout the entire value chain. Equally, by creating new solutions, we aim to both reduce CO₂ emissions from the atmosphere and achieve negative emissions.

farming methods. The third is the development of resource recycling technologies. The recovery of resources and energy from urban mining, biomass, and agricultural residue can lead to the resolution of issues that draw global attention such as the disposal of municipal and industrial waste. Carbon fixation in the agricultural sector and water management for rice paddies will also make it possible to create environments that are more resilient against flooding and water damage.

To further hasten these research and development areas that seek to make society carbon neutral, we will invest additional funds and work with the entire Group pulling in the same direction.

Message from the Executive Vice President



An extremely healthy financial structure-Virtually debt-free operations

Ours is a manufacturing business whose main business domains are Farm & Industrial Machinery and Water & Environment. As a way of maintaining sales growth in Farm & Industrial Machinery, though, we are expanding our retail financing business —which deals with the customers who buy our products—to North America, Thailand, and other key regions. Year after year, the retail financing business has grown alongside the expansion of our Farm & Industrial Machinery business and by the end of 2021 it had a finance receivables balance of around 1,400 billion yen (37% of total assets at the time). The interest-bearing debt balance on the capital needed to supply those funds is approximately 1,100 billion yen. As a result, our financial structure is different from that of a normal company that runs a manufacturing business. Our retail financing

business is able to take advantage of the special characteristics of our loan claims – our customers tend to be highly trustworthy with few cases of bankruptcy, and contracted loan amounts are small with bonds well dispersed – and follows a policy of finance procurement that focus on turning loan claims into securities. In this way, we are pursuing financial self-sufficiency. If we exclude credits and liabilities associated with this selfsufficient retail financing business and look at the ordinary manufacturing business alone, we had achieved virtually debtfree operations until the end of 2021. I feel that we can say, without fear of contradiction, that this extremely healthy financial structure will be able to support sufficiently our future business growth.

Moreover, we are paying attention to our return on invested capital (ROIC), an important financial indicator, and aiming to

use the capital we invest in business activities effectively so we can achieve greater profits. We are aware that the retail financing business is an important aspect of our business, and we will manage ROIC as an integrated index that combines the manufacturing industry and the retail financing business. In

Determination behind

Value Creation

Starting Point for

Value Creation

Making upfront investments while also maintaining and enhancing our performance and financial soundness for sustainable business

In Mid-Term Business Plan 2025, we put forward how we will actively make necessary upfront investments. Global efforts to become carbon neutral are gathering speed, and the development of various technologies, such as carbon-free powertrain technologies, has become necessary to drive the shift to carbon neutrality. We also aim, as we describe in the Long-Term Vision "GMB2030," to become an "Essentials Innovator for Supporting Life," committed to a prosperous society and cycle of nature, and so we are working to develop technologies related to smart agriculture and resource recycling. In addition to research and development that focuses on the next five or ten years in these fields, we are investing funds in areas such as DX and in state-of-the-art equipment to propel future business growth. At the same time, though, we will keep a watchful eye on our efforts to maintain and improve our performance and financial soundness. To ensure that upfront investment does not lead to an increase in expenses and impact performance, we have been strengthening our business foundations to raise our profit margin. These efforts not have just been about lowering costs, but also have included a steady recovery in the effectiveness of investments, a thorough efficiency improvement of business operations, and fundamental enhancements to operational productivity through

Stable dividend increases will raise our shareholder return ratio

We believe that shareholder return is our way of giving back to our shareholders—a vital type of stakeholder—for their engagement with our business; participation is of course a form of risk taking for them. As such, we pay close attention to our shareholder return ratio, which includes dividends and also the acquisition or retirement of treasury stock, and this is something we aim to improve.

As a company, we will continue to push forward with medium- and long-term initiatives to resolve the many and varied issues that face society. Therefore, I hope that our shareholders too will be a part of this endeavor by engaging with our business in the long term, in the form of holding our

Front Lines of

Value Creati

the future, we predict that as the machinery business grows, the finance receivables balance for the retail financing business—which has a lower ROIC than the Farm & Industrial Machinery business—will increase, but we will maintain an appropriate level of ROIC for the company as a whole.

the application of DX technologies. Equally, as I mentioned earlier, while we have secured sufficient financial reserves, we will carefully consider cash flows and ensure financial discipline so that our upfront investment does not increase our debt burden or affect our financial base.

To simultaneously secure positive performance and financial soundness will also require further growth in our existing businesses. Our Farm & Industrial Machinery business has a great deal of hidden potential in areas such as our North American construction machinery business, our agricultural and construction machinery businesses in the ASEAN region, and our Indian tractor business. In Water & Environment, too, we can make reforms to become a more stable, sufficiently profitable business by rebuilding our product and business portfolio. As something that is common to both Farm & Industrial Machinery and Water & Environment, we can make full use of digital technologies to strengthen the aftermarket business, an area forecast to be highly profitable. These initiatives in existing businesses will enable us to further strengthen our business foundation and enhance profitability, further ensuring that upfront investment is compatible with maintenance and improvement of business performance, and financial soundness.

shares. For this engagement, shareholders should enjoy an appropriate return, and to that end we need to steadily improve our performance over the medium to long term. By implementing a variety of measures, including necessary investments, we will increase our capital, the underlying resource of shareholder returns. Alongside this, to encourage shareholders to hold on to their shares in the long term, and for their peace of mind, we will forge ahead with policies that aim to sustainably raise dividends and shareholder return ratio over the medium and long term, without yearly fluctuation.

I hope that we can continue to count on the support and understanding of all of our stakeholders.

Financial Strategy-Current management situation and future financial forecasts

Here we provide a review of the management situation for fiscal 2021 and overall performance and the strategies we will employ to achieve our financial targets from Mid-Term Business Plan 2025. In fiscal 2022 financial forecasts, we plan to implement proactive upfront investments aimed at firmly cementing a future foothold toward our Long-Term Vision "GMB2030" and propelling the business forward.

Financial	Revenue	Operating profit	Free cash flow	ROE
targets for 2025	¥ 2,300.0 billion	¥ 300.0 billion	Cumulative total of 5 years: 2021–2025 ¥ 280.0 billion	Over 10% for 2021–2024 Over 11 %

Review of fiscal 2021 in Mid-Term Business Plan 2025

In fiscal 2021, our overall revenue reached a historical high, exceeding 2,000 billion yen for the first time ever. While sales in Water & Environment and Other actually decreased, sales in Farm & Industrial Machinery increased dramatically due to a number of factors: a recovery in demand after a downturn that followed a surge in sales before the consumption tax increase in Japan in the previous year; an increase in North America due to the boom in moving to the suburbs; a recovery in Europe from the effects of the pandemic; and stable weather in Asia outside Japan.

On the profit front, while the price of steel and other raw materials and logistics costs soared, we achieved record high profits due to the effect of increased sales.

ROE rose 2.3 percentage points from the previous fiscal year to reach 11.1%.

Mid-Term Business Plan 2025 financial targets (PL) and FY2021 results

				(Dillions of yer)
		FY2021 (Actual)	FY2022 (Forecast)	FY2025 (Target)
Revenue		2,196.8	2,450.0	2,300.0
	Farm & Industrial Machinery	1,864.8	2,080.0	1,870.0
	Water & Environment	305.4	340.0	400.0
	Other	26.6	30.0	30.0
Operating profit		11.2% 246.2	10.2% 250.0	13.0% 300.0

Revenue target



Mid-Term Business Plan 2025 financial targets (Other) and FY2021 results

	2021 (Actual)	2021– 2025 (Target)
ROE	11.1%	Maintain over 10% / over 11% in 2025
Shareholder return ratio	40.3%	Set the mid-term target of over 40%, and aim at 50%
Operating cash flow	92.5 billion yen	880.0 billion yen (cumulative total of 5 years)
Free cash flow	-33.2 billion yen	280.0 billion yen (cumulative total of 5 years)

FY2022 financial forecasts (as of publishing, February 14, 2022)

We predict that sales will increase by 253.2 billion yen to total 2,450 billion yen, replacing our current historical high. Operating profit is forecast to increase by 3.8 billion yen to 250 billion yen. Profit attributable to owners of the parent will increase by 2.4 billion yen to 178 billion yen.

These figures do not include data for Escorts.

Operating profit forecasts

Operating profit is predicted to increase by 3.8 billion yen to total 250 billion yen. 21 billion yen of that increase will be due to the effects of foreign exchange fluctuations, while 8 billion yen decrease will be caused by worse foreign exchange gains/losses.

In terms of raw material prices, increased prices for steel and other materials will cause profit to drop by 53 billion yen in Farm & Industrial Machinery, while in Water & Environment, steel scrap and coil price increases account for a profit decrease of 16 billion yen. Therefore, raw material prices will account for a drop in profits of 69 billion yen in total.

For incentive rate fluctuations, interest rates are predicted to increase gradually, particularly in the US, which will cause profit to decrease by 7.8 billion yen, while increased sales profits will cause profit to increase by 46 billion yen. We will increase product prices substantially in order to cover soaring raw material prices and logistics costs. The remaining 54.4 billion yen of profit decreases is accounted for by other factors. Its main elements include the worsening logistics situation, increased R&D expenses to accelerate R&D efforts, increased depreciation and amortization due to increased capital expenditures, and higher personnel expenses.

Operating profit forecasts by business segment

In operating profit forecasts by business segments, costs categorized as "Adjustments" increase due to a loss on foreign exchange and an increase in R&D expenses.

				(billions of yen)
		FY2022 (Forecast)	FY2021 (Actual)	Increase/ decrease
Farm &	Revenue	2,080.0	1,864.8	+215.2
Industrial	Operating profit	289.0	250.4	+38.6
Machinery	Operating margin	13.9%	13.4%	+0.5P
	Revenue	340.0	305.4	+34.6
Water & Environment	Operating profit	21.0	22.3	-1.3
	Operating margin	6.2%	7.3%	-1.1P
	Revenue	30.0	26.6	+3.4
Other	Operating profit	4.0	3.7	+0.3
	Operating margin	13.3%	13.9%	-0.6P
Adjustments	Operating profit	-64.0	-30.2	-33.8
	Revenue	2,450.0	2,196.8	+253.2
Total	Operating profit	250.0	246.2	+3.8
	Operating margin	10.2%	11.2%	-1.0P

						(b	villions of yen)
		FY2022 FY2 (Forecast) (Ac		FY2021		Increase/decrease	
				tual)	Amount	%	
evenue			2,450.0		2,196.8	+253.2	+11.5
	Japan		645.0		602.8	+42.2	+7.0
	Overseas		1,805.0		1,594.0	+211.0	+13.2
oerating	profit	10.2%	250.0	11.2%	246.2	+3.8	+1.5
ofit befo xes	re income	10.3%	253.0	11.5%	252.6	+0.4	+0.2
ofit attributable to vners of the parent		7.3%	178.0	8.0%	175.6	+2.4	+1.3

(billions of yen)

	FY2022 (Forecast)	FY2021	(Actual)	Increase/decrease	
	Amount	%	Amount	%	Amount	%
oerating ofit	250.0	10.2	246.2	11.2	+3.8	+1.5

Major cause for the increase (+3.8 billion yen) in operating profit

Foreign exchange fluctuations	US dollar: from 110 yen to 114* Euro: from 130 yen to 128* Other	+25.0 billion yen -1.0 billion yen -3.0 billion yen	+21.0 billion yen
Gains/losses on foreign exchange			-8.0 billion yen
Raw material prices	Farm & Industrial Machinery: steel, purchased components, etc. Water & Environment: scrap, coils, resin, etc.	-53.0 billion yen	-69.0 billion yen
Incentive rate fluctuations	North America: -7.1 billion yen, other		-7.8 billion yen
Increase/ decrease in sales			+46.0 billion yen
Product price increases			+76.0 billion yen
Other			-54.4 billion yen

* The rates required to realize a profit (taking into consideration shipping and warehousing) for products exported from Japan were: US dollar: from 108 yen to 114; Euro: from 129 to approx. 129

Capital expenditures, depreciation and amortization, and R&D expenses

Capital expenditures are forecast to be up to 190.0 billion yen. We will invest proactively, including in the establishment of an R&D base in Sakai in Japan and toward BCP and DX.

Overseas, we plan to invest, as already disclosed, in a construction machinery production base in the US.

Depreciation and amortization is forecast to total 62.6 billion yen, while R&D expenses are set to total 86.3 billion yen.

	(billions of y					
	FY2022 (Forecast)	FY2021 (Actual)	FY2020 (Actual)			
Capital expenditures*	190.0	121.4	87.2			
Depreciation and amortization*	62.6	55.6	53.2			
R&D expenses	86.3	65.3	55.3			

* Recognition of right-of-use assets and depreciation of right-of-use assets along with adoption of IFRS 16 Leases are not included.

Financial Highlights

Five-year Summary of Key Financial Data

* From the fiscal year ended December 31, 2018, International Financial Reporting Standards (IFRS) have been applied instead of Generally Accepted Accounting Principles (U.S. GAAP) that were applied previously. For the fiscal year ended December 31, 2017, financial figures in accordance with IFRS are presented as well. Terminologies which differ between U.S. GAAP and IFRS are presented together in the format "U.S. GAAP / IFRS."

	U.S. GAAP	IFRS					
	2017.12	2017.12	2018.12	2019.12	2020.12	2021.12	
Operating results for fiscal year (billions of yen)							
Revenues / Revenue	¥ 1,751.5	¥ 1,751.0	¥ 1,850.3	¥ 1,920.0	¥ 1,853.2	¥ 2,196.8	
Operating income / Operating profit	198.8	200.0	189.3	201.7	175.3	246.2	
Income before income taxes and equity in net income of affiliated companies / Profit before income taxes	212.9	214.0	197.2	209.0	185.9	252.6	
Net income attributable to Kubota Corporation / Profit attributable to owners of the parent	136.4	134.2	138.6	149.1	128.5	175.6	
Capital expenditures*1	52.2	52.2	64.1	86.7	87.2	121.4	
Depreciation and amortization*1	45.3	45.1	49.6	48.9	53.2	55.6	
R&D expenses	48.1	43.4	53.8	53.1	55.3	65.3	
Net cash provided by operating activities	222.3	137.2	89.1	82.4	142.9	92.5	
As of fiscal year-end (billions of yen)							
Total assets	¥ 2,853.9	¥ 2,832.4	¥ 2,895.7	¥ 3,139.3	¥ 3,189.3	¥ 3,773.5	
Shareholders' equity / Equity attributable to owners of the parent	1,301.3	1,291.1	1,339.9	1,442.8	1,476.0	1,678.0	
Interest-bearing debt / Interest-bearing liabilities	836.6	834.1	839.3	903.0	874.4	1,094.5	
Per share data (yen)							
Earnings per share (EPS)	¥ 110.30	¥ 108.45	¥ 112.44	¥ 121.59	¥ 105.85	¥ 145.52	
Book-value per share (BPS)	1,054.86	1,046.55	1,087.44	1,182.72	1,221.95	1,398.41	
Annual cash dividend	32	32	34	36	36	42	
Financial indicators							
Operating margin (%)	11.4	11.4	10.2	10.5	9.5	11.2	
ROA*2 (%)	7.7	7.8	6.9	6.9	5.9	7.3	
ROE*3 (%)	10.9	10.8	10.5	10.7	8.8	11.1	
Shareholders' equity to total assets / Ratio of equity attributable to owners of the parent to total assets (%)	45.6	45.6	46.3	46.0	46.3	44.5	
Payout ratio (%)	29.0	29.5	30.2	29.6	34.0	28.9	
Shareholder return ratio*4 (%)	38.6	39.3	32.3	42.7	49.4	40.3	
Net debt equity ratio*5 (times)	0.47	0.47	0.46	0.49	0.44	0.50	

5 Net debt equity ratio:

IFRS 16 Leases are not included. *2 ROA:

[U.S. GAAP] Income before income taxes and equity in net income of affiliated companies ÷ Total assets (average of beginning and end of fiscal year) [IFRS] Profit before income taxes ÷ Total assets (average of beginning and end of fiscal year)

*1 Recognition of right-of-use assets and depreciation of right-of-use assets along with adoption of

[IFRS] Profit before income taxes ÷ Total assets (average of beginning and end of fiscal year) *3 ROE:

[U.S. GAAP] Net income attributable to Kubota Corporation ÷ Shareholders' equity (average of beginning and end of fiscal year) [IFRS] Profit attributable to owners of the parent ÷ Equity attributable to owners of the parent

(average of beginning and end of fiscal year) \$ Shareholder return ratio: [U.S. GAAP] (Annual cash dividend + Retirement of own shares) ÷ Net income attributable to Kubota

Corporation IFRSI (Annual cash dividend + Retirement of own shares) ÷ Profit attributable to owners of the paren



Financial Highlights

Revenue



[U.S. GAAP] (Interest-bearing debt - Cash and cash equivalents) ÷ Shareholders' equity [IFRS] (Interest-bearing liabilities - Cash and cash equivalents) ÷ Equity attributable to owners of the parent

Owing to changes in organizational structure, "Air-conditioning equipment" previously included in the Farm & Industrial Machinery segment has been included in the Water & Environment segment since FY2020. Amounts related to "Financial services businesses" are reported in "Finance income" in the "Farm & Industrial Machinery" segment, whereas they were formerly reported in the "Other" segment. Accordingly, "Air-conditioning equipment" has been reclassified and restated for FY2019, and "Financial services businesses" has been reclassified and restated for FY2020.



Please refer to the Annual Securities Report for detailed financial information.

www.kubota.com/ir/financial/yuho/

Overseas Revenue and Overseas Revenue Ratio



Operating Profit and Operating Margin



Capital Expenditures, Depreciation and Amortization*1



Net Cash Provided by Operating Activities



[Farm & Industrial Machinery] Trends in revenue and operating profit*6

Japan Overseas - Operating profit





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ROA*2 and ROE*3



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



Annual Cash Dividend Per Share, Payout Ratio, and Shareholder Return Ratio*4



[Water & Environment] Trends in revenue and operating profit*6

Japan Overseas - Operating profit

