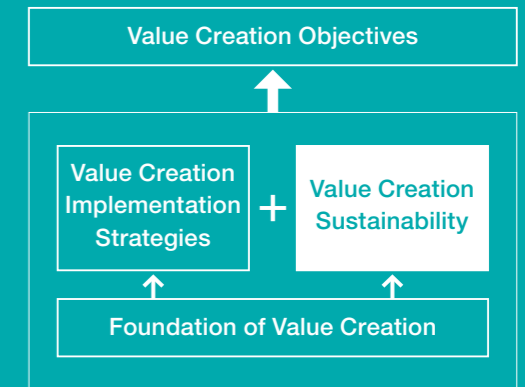


Chapter

# 04 Value Creation Sustainability

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### Overview

Our strategies and initiatives toward value creation have to be sustainable. As such, the Kubota Group has defined its original style of business operations that position ESG at the core of management as "K-ESG." As we aim to solve environmental and social issues through business, we will ensure these strategies and initiatives are sustainable by strengthening our corporate governance.



# The Kubota Group's K-ESG Management

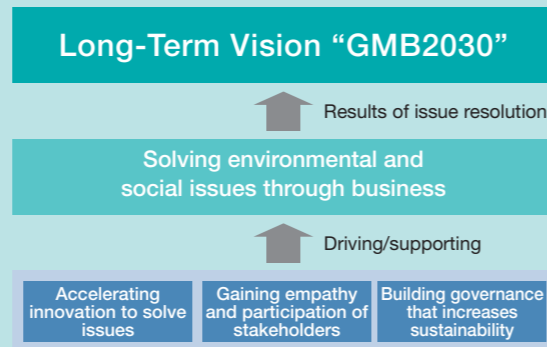
In both our Long-Term Vision “GMB2030” and Mid-Term Business Plan 2025, we promote business operations that position ESG at the core of management. We have defined the Kubota Group’s unique ESG measures as K-ESG—measures that are rooted in the Group’s corporate principles (the Kubota Global Identity). To that end, we are engaged in the reduction of environmental impact and the resolution of social issues through our business activities in the fields of food, water, and the environment.

## K-ESG Management Initiatives

- 1 We will continue to create corporate value (social value and economic value) by solving environmental and social issues through business.
- 2 We will resolve those issues through innovation.
- 3 We will forge ahead with initiatives by gaining the empathy and participation of stakeholders.
- 4 We will make our efforts sustainable through corporate governance that incorporates diversity and medium- and long-term perspectives.

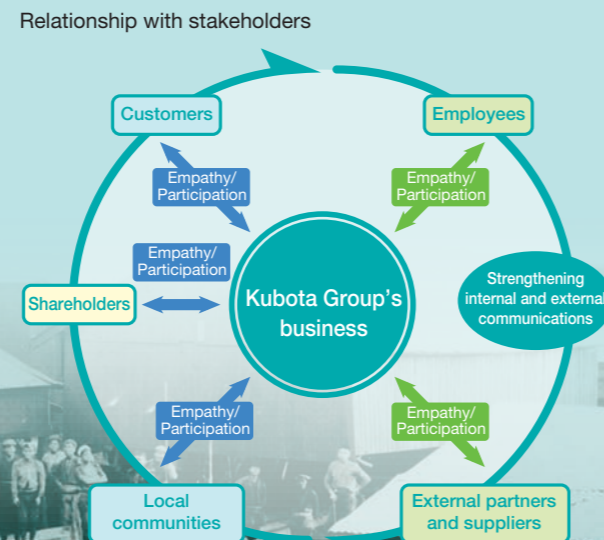
While passing down the Kubota heritage since our founding, we are vigorously promoting K-ESG management as the key to realizing our Long-Term Vision.

Resolving social issues is part of our corporate philosophy, and to continue and develop our efforts, we aim to further raise our corporate value by continuing to pursue both social and economic value.



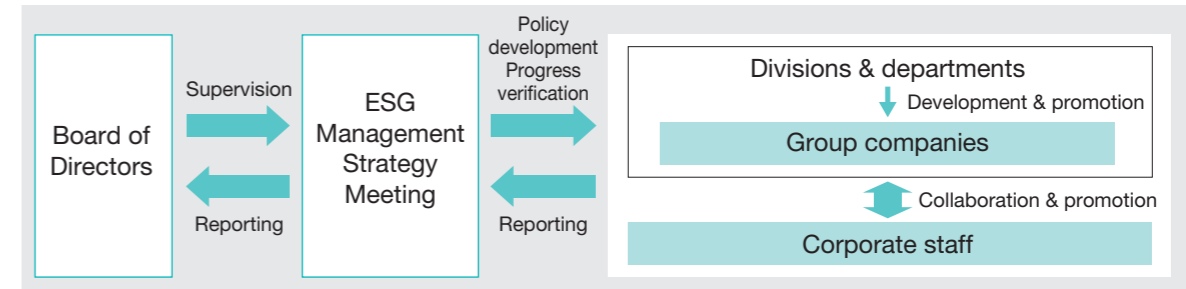
## K-ESG Management and Relationships with Stakeholders

The “S” in K-ESG stands for “society,” which we take to also mean our stakeholders—customers, business partners, investors, local communities, employees, and others. Taking an open and transparent approach, we will enhance and strengthen communication with stakeholders beyond what we have done before, and will build relationships that allow us to gain their empathy and participation.



## K-ESG Management Promotion Framework

We have established the ESG Management Strategy Meeting under the direct control of the president. This body formulates policies aimed at creating the Group’s corporate value in the medium and long term and carries out investigations and evaluations into major measures. The meeting’s membership consists of the president and representatives for business departments, finance, human resources, R&D, manufacturing, and the environment. Matters decided on by the meeting are developed and promoted by business and corporate departments. They are also reported to the Board of Directors on an as-needed basis.



## ESG Management Strategy Meeting Initiatives and Progress

In fiscal 2022, the ESG Management Strategy Meeting met a total of seven times, and discussed nine themes in total. The body discussed the results of the more than 60 discussions held between executives and relevant departments concerning the indicators and targets for 12 points of materiality in four areas identified in fiscal 2021. It then reported its findings and decisions to the Board of Directors.

With regard to the environment, the ESG Management Strategy Meeting deliberated on topics such as concrete measures to reduce Scope 1 and Scope 2 emissions and a roadmap for how to reduce Scope 3 emissions as part of our drive toward carbon-neutrality. Its discussions related to human resources covered subjects such as fundamental policies toward human resources and human capital, the key to achieving sustainable growth.

### Major discussion themes for the ESG Management Strategy Meeting in 2022

- Materiality indicators and targets
- Carbon-neutrality
- Human capital



ESG Management Strategy Meeting in session

## VOICE



**Katsuyuki Shutta**  
General Manager of ESG Promotion Dept.

### Kubota’s activities in the more than 130 years since its founding are the essence of ESG management

In 2021, the ESG Promotion Department was established, and I was honored to take up the position as its general manager. If we consider what value Kubota offers society, and delve a little deeper into the question, we can recognize that the company’s approach has always been to resolve the issues facing the environment and society through its business activities since its founding. Its history, which stretches back more than 130 years, is itself a tale of ESG management, and in order to maintain this going forward, I will strive to tie this into stakeholder empathy and participation by raising pride in this within Kubota and by deepening understanding outside the company.

# Environmental Initiatives



**We will push forward with initiatives across the entire Kubota Group aimed at achieving our Environmental Vision.**

**Koichi Yamamoto**  
 Managing Executive Officer  
 General Manager of Manufacturing Engineering Headquarters  
 (Environmental Conservation Control Officer)

## Message from the person in charge

The Kubota Group formulated its Environmental Vision to quantify its target situation for 2050. To bring that vision to life, we are pressing forward with efforts throughout our business' entire value chain, including resource procurement, manufacturing and during use by the customer.

Our business fields are diverse; including agriculture, water infrastructure, and the living environments. The network of sites that manufacture and sell our products has also expanded globally. Going forward, we will work to enhance the environmental performance of our products, to provide solutions that minimize the emissions of greenhouse gases, to make steady progress toward reducing the environmental loads of our sites around the world, and to build a society that is carbon-neutral and resilient.

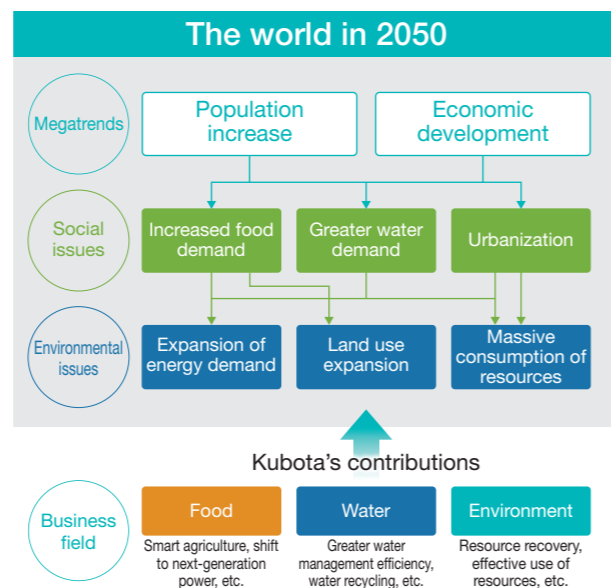
**Environmental Vision**  
 —Target Situation toward 2050 from an Environmental Perspective—

**While challenging to achieve zero environmental impact, we will contribute to realizing a carbon-neutral and resilient society in the fields of “food, water, and the environment.”**

## Toward 2050

As the world's population rises, the demand for food and water is also expected to grow. Economic development, meanwhile, increases the desire among people to improve their living environments, which in turn will lead to greater global demand for energy and resources. Simultaneously, movements to shift to a more decarbonized society are picking up pace, and there are also efforts afoot to bring about a circular economy (i.e., an economy in which products and resources are maintained for as long as possible, and where waste is kept to a minimum).

In addition to our Long-Term Vision “GMB2030,” we have formulated our Environmental Vision that outlines our business activities on the environmental perspective toward the year 2050. Moreover, we are promoting initiatives that aim to achieve both business development that contributes to solving social issues, and ESG management that includes a response to environmental challenges.

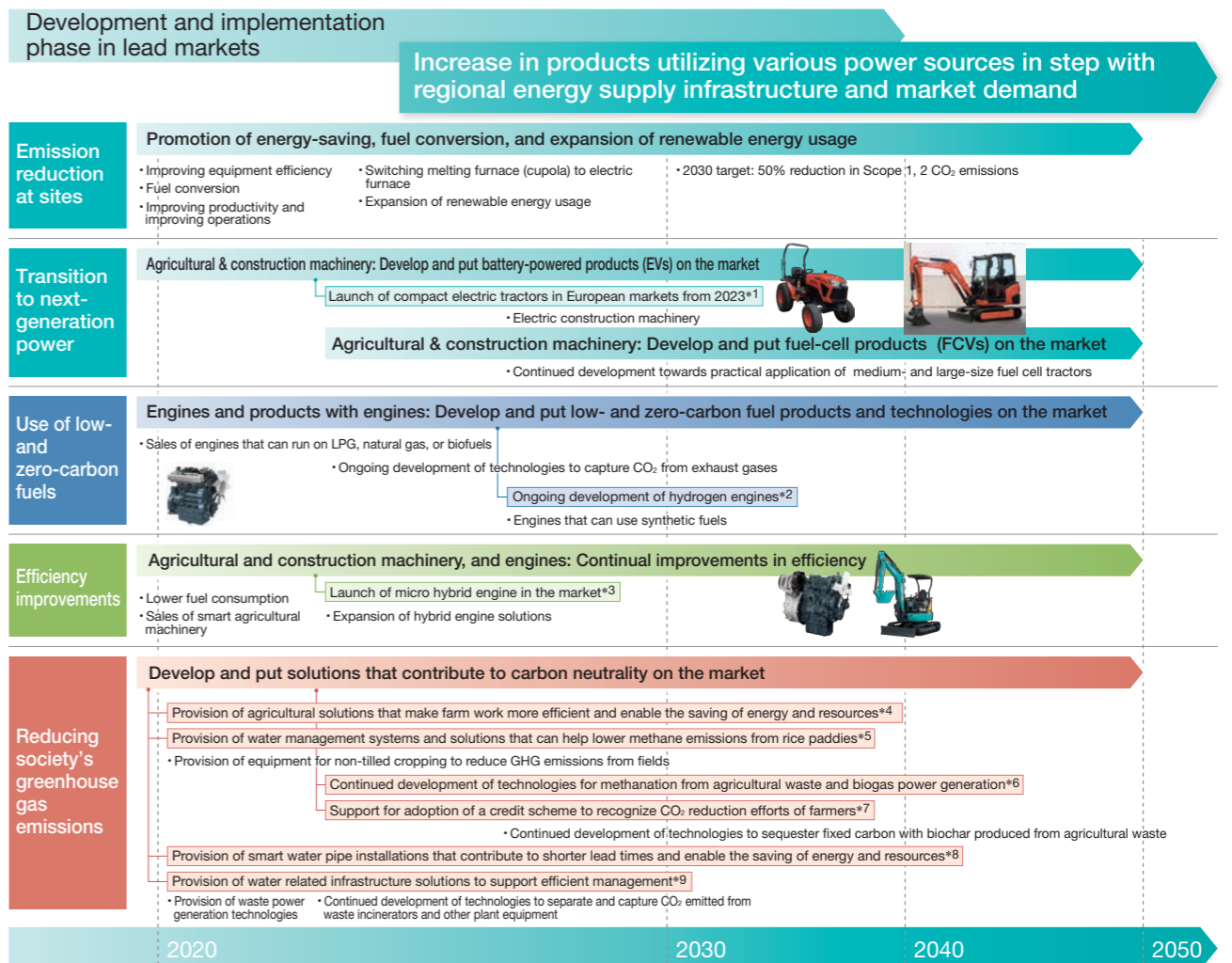


## Challenges Toward Carbon Neutrality

We have set the “mitigating and adapting to climate change” as an area of materiality on the path to achieving “GMB2030,” and we are accelerating efforts that will lead to our business activities helping to solve environmental issues. In terms of carbon neutrality, we are currently focusing our efforts on reducing the CO<sub>2</sub> emissions produced when manufacturing our products or during their use. At the same time, by providing products and solutions, we will mitigate the emission of greenhouse gases by society. Having set ourselves the challenging goal of net-zero CO<sub>2</sub> emissions by 2050, we intend to push ahead with initiatives to help us achieve it.

### <Roadmap to carbon neutrality>

We have conducted scenario analysis in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), identified impacts on our business, and considered countermeasure strategies. We have formulated a transition plan (roadmap) to a low-carbon economy as we aim to achieve carbon neutrality by 2050.



The above roadmap is based on information that can be studied at present. It is subject to major changes, depending on future technological development and market trends.

\*1 Compact electric tractors: [www.kubota.com/news/2022/20220905.html](http://www.kubota.com/news/2022/20220905.html)  
 \*2 Hydrogen engines: [www.kubota.com/news/2022/20221003.html](http://www.kubota.com/news/2022/20221003.html)  
 \*3 Micro hybrid engine: [global.engine.kubota.co.jp/en/technology/microhybrid/index.html](http://global.engine.kubota.co.jp/en/technology/microhybrid/index.html)  
 \*4 Agricultural solutions: [www.kubota.com/innovation/smartagri/index.html](http://www.kubota.com/innovation/smartagri/index.html)  
 \*5 Farm water management system: [agriculture.kubota.co.jp/product/kanren/wataras/](http://agriculture.kubota.co.jp/product/kanren/wataras/) (only in Japanese)  
 \*6 System for recycling local resources using agricultural biomass: [www.kubota.co.jp/news/2022/management-20220405.html](http://www.kubota.co.jp/news/2022/management-20220405.html) (only in Japanese)  
 \*7 J-Credit Scheme certification for CO<sub>2</sub> reduction project: [www.kubota.co.jp/news/2022/management-20221226.html](http://www.kubota.co.jp/news/2022/management-20221226.html) (only in Japanese)  
 \*8 Smart water pipe installation: [www.kubota.co.jp/product/ironpipe/products/technology/innovation/](http://www.kubota.co.jp/product/ironpipe/products/technology/innovation/) (only in Japanese)  
 \*9 IoT solutions for water related plants and equipment: [www.kubota.co.jp/product/ksis/](http://www.kubota.co.jp/product/ksis/) (only in Japanese)

### Development of electric products

To minimize the amount of CO<sub>2</sub> our products emit during use, we will take on the challenge of decarbonizing power sources, such as by switching products to electric power sources or fuel cells.

In 2023, we will start providing European markets with compact electric tractors, and going forward we will continue to implement R&D that looks to decarbonize society and expand our lineup of products.



Compact electric tractor

### Development of products that use low-carbon and zero-carbon fuels

The Kubota Group is pushing forward with efforts to control greenhouse gas emissions through its development of engines. These efforts include hybrid engines, lower fuel consumption, and increasing the percentage of biodiesel used in fuels.

In 2022, we started on development for an industrial hydrogen engine designed to be fitted in dedicated hydrogen generators.



Kubota 3.8L hydrogen engine

## Environmental Initiatives

### Mitigating and Adapting to Climate Change: Disclosure in Accordance with the TCFD Recommendations

#### Governance

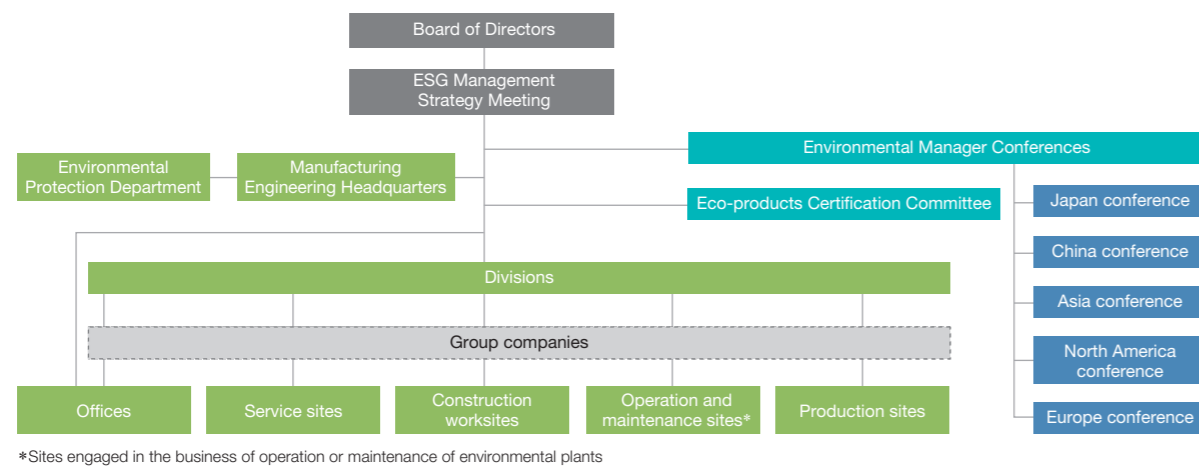
In 2021, with the objective of realizing our own ESG management, that committee was reorganized as the ESG Management Strategy Meeting to engage in discussion of ESG-related issues on a Group-wide basis. In addition, Environmental Manager Conferences are held in each of the five regions—Japan, China, Asia, North America, and Europe—to promote environmental management of the entire Group globally.

The ESG Management Strategy Meeting is chaired by the president & representative director and attended by all inside directors, directors in charge of business divisions, the director in charge of finance, the director in charge of human resources, the director in charge of R&D, the director in charge of manufacturing, the director in charge of environmental management, and the general manager of the Corporate Planning & Control Department. The meeting participants discuss the medium- and long-term direction of environmental management in light of global environmental issues such as climate change and the business environment. They also decide on plans for key initiatives aimed at reducing environmental impacts and risks, and enhancing the lineup of environment-friendly products. The results of the meetings are reported to the Board of Directors and the Executive Officers' Meeting, and are distributed throughout the Group. It also promotes management based on the plan-do-check-action (PDCA) cycle by assessing and analyzing the progress of the entire Group's environmental conservation activities and reflecting the results

when formulating new plans and policies. The ESG Management Strategy Meeting was convened four times in FY2022 to discuss environmental issues.

At the Environmental Manager Conferences, the Kubota Group policy and promotion items are communicated and the status of progress on medium-term environmental conservation targets is shared, along with case studies of energy-conservation measures, environmental risk countermeasures, and so forth. The conferences discuss matters such as how to solve issues related to environmental conservation activities in each region.

Moreover, the Group has set out environmental conservation targets taking medium-term (five-year activity period) and long-term (15-year activity period) perspectives, based on social trends and regulations in each country related to the environmental issues. The medium-term environmental conservation targets are revised every five years, or whenever necessary depending on the progress in achieving them. Medium-term environmental conservation plans are made individually by each site for global production sites. The Environmental Protection Department checks the status of progress on targets twice a year. In the same way, medium- to long-term targets for the sales ratio of products certified as Eco-Products are set and the department checks the status of progress once a year. The details and progress of the plans are also reported to the Executive Officers' Meeting.



#### Initiatives to date

2020	2021	2022	2023
<ul style="list-style-type: none"> <li>Supporting the recommendations of the TCFD</li> <li>Examining scenario analysis results before formulating an environmental vision</li> <li>Formulation of Medium-Term Environmental Conservation Targets 2025</li> </ul>	<ul style="list-style-type: none"> <li>Formulation of the Environmental Vision toward 2050</li> <li>Launch of the ESG Management Strategy Meeting</li> <li>Examining business domain risk and opportunity analysis results</li> </ul>	<ul style="list-style-type: none"> <li>Revisions to Long-Term Environmental Conservation Targets 2030</li> <li>Disclosure of climate change strategies for the agricultural machinery and water-related businesses</li> <li>Reflection of ESG evaluation in executive remuneration system</li> </ul>	<ul style="list-style-type: none"> <li>Disclosure of scenario analysis results for all businesses</li> <li>Expanded disclosure of financial impacts</li> <li>Development of a transition plan</li> <li>Revisions to Medium-Term Environmental Conservation Targets</li> </ul>

#### Risk management

The ESG Management Strategy Meeting, which is chaired by the president, deliberates on medium- and long-term targets and key measures relating to environmental conservation, as well as medium- and long-term direction of environmental management, in light of climate change and other global environmental problems and the Group's operating environment. The objective of this meeting is to formulate policies for generating medium- to long-term corporate value from an ESG perspective and examine and evaluate key measures. Also, the outcomes of its discussions are reported to the Board of Directors and Executive Officers' Meeting when necessary.

#### Metrics and targets

The Kubota Group has set Medium- and Long-Term Environmental Conservation Targets aiming to reduce the risks and expand the opportunities due to climate change and is working to achieve these targets. Furthermore, we calculated performance data on CO<sub>2</sub> emissions (Scopes 1 and 2) at the Group's global sites (production and non-production sites) and upstream and downstream CO<sub>2</sub> emissions (Scope 3) and disclose our results for the past years. We have obtained third-party assurance for the main disclosed data, and we are working to improve our accuracy.

For more details on our medium- and long-term environmental conservation targets, please follow the link below.  
[www.kubota.com/sustainability/environment/active/](http://www.kubota.com/sustainability/environment/active/)

## Strategy

### Overview of scenario analysis

We formulated our Environmental Vision, which presents the direction for our business activities from an environmental perspective toward 2050, having made an analysis of future society based on the scenarios for 1.5°C/2°C and 4°C temperature rises by the Intergovernmental Panel on Climate Change (IPCC), the International Energy Agency (IEA), and other bodies. The Environmental Vision not only lays down the challenge of achieving zero environmental impacts through efforts aimed at reducing CO<sub>2</sub> emissions at our production sites, but also represents our commitment to help solve various social issues in the fields of food, water, and the environment through the provision of

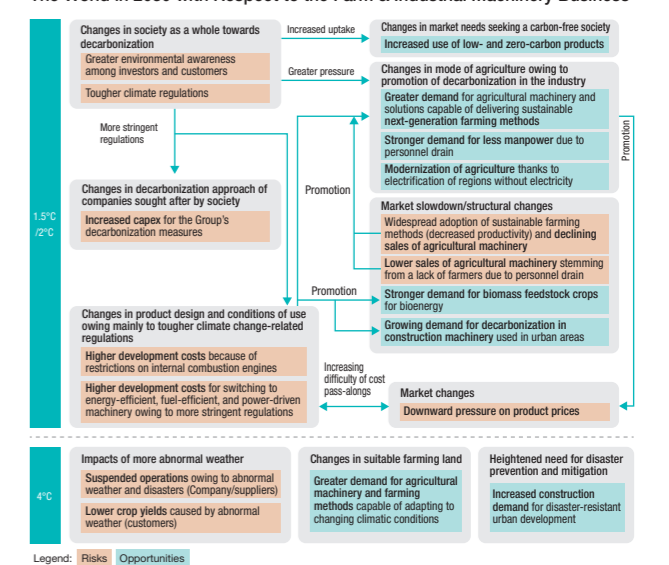
environmentally friendly products and solutions and to help bring about a carbon-neutral and resilient society. In order to achieve the Environmental Vision, we need to take into account how our business activities are impacted by regulatory developments, technological advancements, and changes in the market. We also need to focus on the physical changes brought on by the acceleration of climate change. To that end, we have analyzed and evaluated the impacts of climate change on our business domains in light of the anticipated future changes in the market and business environment.

### The world in 2030: Farm & Industrial Machinery Business

#### Decarbonization will be picking up pace in living environments

In the future, we anticipate that the push for greater diversification of power sources will gain increasing momentum in the field of industrial machinery. In the long term, under the 1.5°C/2°C temperature rise scenario, the use of electricity and low-carbon or zero-carbon fuels is expected to expand, but it is unclear whether this spread will also apply to applications such as agricultural and construction machinery. In 2030, while the use of such power sources will have become more widespread in some regions, we believe that there will be demand for products that rely on fossil fuels. We also predict that there will be increased needs for reduced greenhouse gas emissions through sustainable, next-generation farming methods and the agricultural machinery required for them. In addition, there could be changes to the amount of rainfall or the environments where crops are grown, so agriculture will also be called on to adapt to climate change.

#### The World in 2030 with Respect to the Farm & Industrial Machinery Business

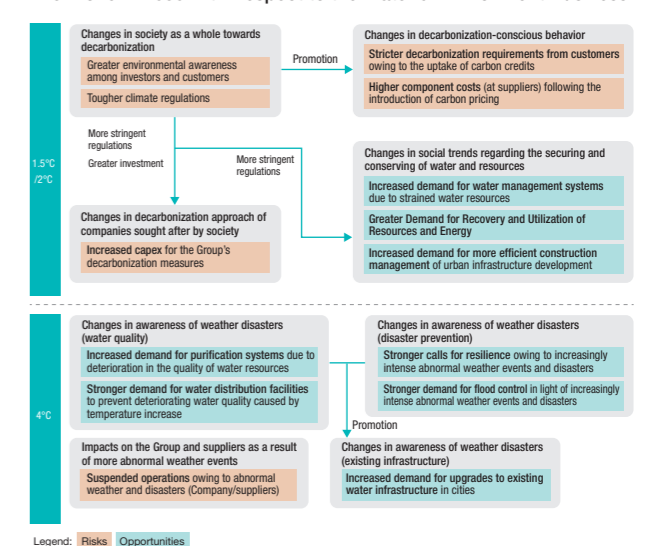


### The world in 2030: Water & Environment Business

#### Moves to encourage effective use of water and resources, and to make urban infrastructure more resilient

We expect impacts to materialize in procurement, manufacturing, and other parts of the value chain owing to the decarbonization of production methods for steel and a higher carbon tax, a key raw material in many products. In addition, we anticipate expanded use of mineral resources in society as a whole due to population increase and economic development. We anticipate that awareness of the issues of decarbonization and circular economies will grow within society as a whole, and that efforts to reuse resources—to avoid the mining of new resources—will accelerate. There are, however, concerns that water quality will deteriorate mainly because of the salinization of groundwater caused by rising sea levels, and increased turbidity of rivers stemming from torrential rain. All of this likely means that water resources will have to be managed even more rigorously. In some areas, there is the possibility that rising water stresses will have a greater impact on the water we use for agricultural and daily life, and that torrential rain could become more frequent and cause more damage.

#### The World in 2030 with Respect to the Water & Environment Business



## Environmental Initiatives

### Scenario analysis results

Business field	Scenario		Summary of scenario analysis results (changes in market and operating environment)		Evaluation results and financial impacts*1 (2030)	Countermeasure strategies
Farm & Industrial Machinery	1.5°C/2°C	Risks [Technologies]	<b>Changes in product design and conditions of use owing mainly to tougher climate change-related regulations</b> <ul style="list-style-type: none"> <li>Controls on fuel-efficiency improvements in internal combustion engines will be further tightened up ahead.</li> <li>Japan, the US, and European countries have announced carbon-neutrality roadmaps for around 2050 and the transition to electrification and BEVs in the passenger car market in particular is gaining momentum</li> <li>New regulations will be applied to products that use internal combustion engines, like agricultural and construction machinery and utility vehicles, and that the need to reduce CO<sub>2</sub> emissions will grow stronger and demand for electrification, fuel cells, low- and zero-carbon fuels (hydrogen engines and synthetic fuel engines), and other power sources will grow increasingly diversified.</li> <li>For large machinery not suited to electrification because of the requirement for long operating hours and higher power, products with internal combustion engines will be used. The use of low- and zero-carbon fuels in internal combustion engines will also increase.</li> </ul>		<ul style="list-style-type: none"> <li>We will need to secure business opportunities in the future by aggressively pursuing R&amp;D of products that offer improved fuel efficiency and can run on various power sources</li> </ul>	Medium
		Opportunities [Products]			<ul style="list-style-type: none"> <li>The impact on revenue of decarbonized products will be limited even though restrictions will have been adopted in some developed regions by 2030</li> </ul>	Low to medium
		Opportunities [Markets]	<b>Changes in market needs seeking decarbonized products and services</b> <ul style="list-style-type: none"> <li>Market demand will increase for new value nonexistent in construction machinery, lawnmower, and utility vehicle products with internal combustion engines. For example, reduced noise pollution, no refueling hassles, and indoor use.</li> <li>Depending on the fuel supply infrastructure in the region, demand will grow stronger for products equipped with a gas/hydrogen engine or a hybrid engine that runs on low- or zero-carbon fuels.</li> </ul>		<ul style="list-style-type: none"> <li>The impact on revenue by 2030 will be limited even though in some lead markets and existing markets there will be customers wanting electrified UVs, lawnmower, and construction machinery and the like</li> </ul>	Low to medium
		Opportunities [Markets]	<b>Changes in mode of agriculture owing to promotion of decarbonization in the industry</b> <ul style="list-style-type: none"> <li>Crop yields will increase as farming technology advances and the effective use of farming land is further encouraged to mitigate the impacts of climate change</li> <li>Decarbonization in agriculture will continue to gather momentum in developed economies and the adoption of sustainable farming methods will become more widespread.</li> <li>Decarbonization and modernization of agriculture in emerging economies will progress concurrently and give rise to smart farming and farming solutions, which in turn will spur demand for energy-efficient agricultural machinery.</li> <li>Demand will grow stronger for carbon-free farming methods, such as non-tilled cropping, that lead to increased carbon storage in the soil.</li> </ul>		<ul style="list-style-type: none"> <li>Prospects for higher revenue from mainly agricultural machinery and smart farming solutions that contribute to low- and zero-carbon agriculture</li> </ul>	Medium to high
	4°C	Opportunities [Resilience]	<b>Changes in suitable farming land (changes in demand for agricultural machinery and farming methods)</b> <ul style="list-style-type: none"> <li>Climate change will affect the relocation of suitable farming land and crop production</li> <li>Demand will increase for farming solutions and support on transitioning to new agricultural machinery and farming methods, including smart machinery and precision agriculture.</li> <li>Changes in demand for farming solutions are emerging in wet climate regions, especially North America, Asia, and some parts of Europe.</li> </ul>		<ul style="list-style-type: none"> <li>Prospects for higher revenue from agricultural machinery and farming solutions that can be adapted to changing weather conditions.</li> </ul>	Medium to high
Water & Environment	1.5°C/2°C	Risks [Regulations & Technology]	<b>Changes in decarbonization approach of companies sought after by society</b> <ul style="list-style-type: none"> <li>Calls will grow stronger for decarbonization across a product's life cycle worldwide, including the introduction of carbon pricing schemes and carbon border adjustment mechanisms.</li> <li>Customers will demand low- or zero-carbon manufacturing processes.</li> </ul>		<ul style="list-style-type: none"> <li>Investment in carbon-free and energy-saving equipment will increase</li> </ul>	Low
		Opportunities [Markets]	<b>Changes in social trends regarding the securing and conserving of water and resources</b> <ul style="list-style-type: none"> <li>Ongoing population increase and economic development will further drive up demand for water</li> <li>Restrictions will be enforced on the intake and discharge of water for household and industrial use in developed countries and Asia as a preventive measure against stretched water resources and deteriorating water quality owing to the impacts of climate change.</li> <li>Demand will increase for solutions that resolve water shortages and poor water quality.</li> </ul>		<ul style="list-style-type: none"> <li>Prospects for higher revenue from products and solutions in connection with the development of water and sewage infrastructure</li> </ul>	Medium to high
		Opportunities [Resource efficiency]	<b>Changes in social trends regarding the securing and conserving of water and resources</b> <ul style="list-style-type: none"> <li>Demand will rise for solutions that facilitate the effective utilization of energy and resources, such as the use and exploitation of rubbish and agricultural waste, as well as the recovery of energy from previously unused small-scale hydropower.</li> <li>Decarbonization combined with a circular economy will gather momentum, the mining of new resources will be avoided, and the recycling of resources will further increase.</li> <li>Demand will grow stronger for solutions that can make the construction of water infrastructure more efficient, primarily as a result of increased urbanization construction work and fewer workers.</li> </ul>		<ul style="list-style-type: none"> <li>Prospects for higher revenue from solutions related to the reclamation/recovery and more efficient use of resources and energy</li> </ul>	Medium to high
		4°C	Opportunities [Resilience]	<b>Changes in awareness of weather disasters</b> <ul style="list-style-type: none"> <li>Climate change is expected to negatively affect people's living environment chiefly because of the more frequent occurrence of typhoons, torrential rain, and other natural disasters, alongside drought and deterioration in water quality.</li> <li>Demand will increase for stronger resilience of existing water and sewage infrastructure, upgrades to aging facilities, and improvements in water quality in order to combat increasingly intense natural disasters.</li> <li>Demand will grow in Japan for water-related products aimed at bolstering national resilience in response to increasingly intense natural disasters as a consequence of climate change.</li> </ul>		<ul style="list-style-type: none"> <li>Prospects for higher revenue from ongoing demand for products and solutions in connection with the development of more resilient water infrastructure, disaster response measures, and water quality improvements</li> </ul>
Common	1.5°C/2°C	Risks [Regulations]	<b>Changes in decarbonization approach of companies sought after by society</b> <ul style="list-style-type: none"> <li>Regulations and measures geared towards decarbonization will gather momentum and the rollout of a carbon tax scheme and impetus for the use of renewable energy will accelerate, thus driving up energy prices.</li> <li>Taxes on fossil fuels and CO<sub>2</sub> emissions will increase owing to the introduction of a carbon tax.</li> <li>Energy costs and expenses associated with energy-saving measures are expected to rise when governments worldwide enforce stricter energy-saving restrictions</li> </ul>		<ul style="list-style-type: none"> <li>Manufacturing costs will rise, driven by higher energy and raw material prices</li> <li>An expected carbon tax burden will materialize when emission reduction targets are met as a result of measures taken to save energy and curb CO<sub>2</sub> emissions</li> </ul>	Medium  Low (approx. ¥2.5 bn*2)
	4°C	Risks [Physical]	<b>Impacts on the Group and suppliers as a result of more abnormal weather events</b> <ul style="list-style-type: none"> <li>There will be increasingly intense and more frequent meteorological disasters like torrential downpours and floods.</li> <li>Negative effects on business activities are expected to be felt at the Group's sites and at suppliers.</li> <li>Production and sales activities will be affected by delays in procuring raw materials.</li> </ul>		<ul style="list-style-type: none"> <li>Disaster-related losses may arise as a result of weather disasters</li> <li>Costs associated with BCP measures for avoiding the adverse impacts of weather disasters could increase</li> </ul>	Medium (approx. ¥3.0 bn to ¥6.0 bn*3)  Medium

\*1 Impact on earnings shown as low (less than or equal to ¥2.5 bn), medium (greater than ¥2.5 bn but less than or equal to ¥25.0 bn), or high (greater than ¥25.0 bn).

\*2 Calculated by multiplying the projected carbon tax as of 2030.

\*3 Calculated with reference to losses stemming from previous weather disasters.

## Environmental Initiatives

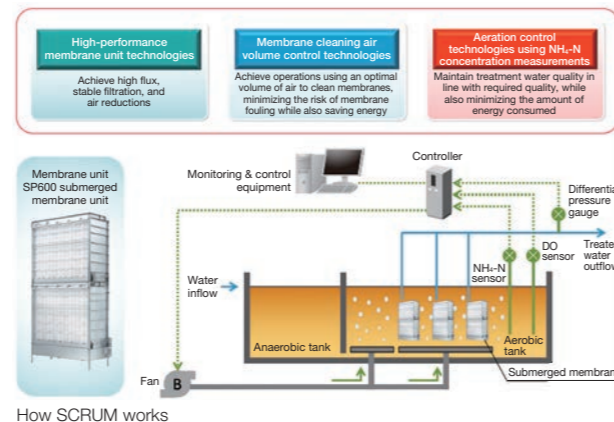
### Promoting the Circulation of Water Resources and Waste

In addition to providing products that assist in the effective use of water, we are also developing technologies that can recover fuel or resources from sources such as agricultural wastes or sewage sludge. Going forward, we will help to bring about a resilient, recycling-oriented society.

#### Water management and treatment

##### SCRUM, a sewage treatment technology

We have installed cutting-edge SCRUM (smart control technology for reducing energy used in MBR) sewage treatment systems, which were jointly developed by Kubota and Toshiba, at Nakahama Sewage Treatment Plant in Osaka, Japan to improve water quality for the Dotombori and Higashiyokobori rivers that run through the city.



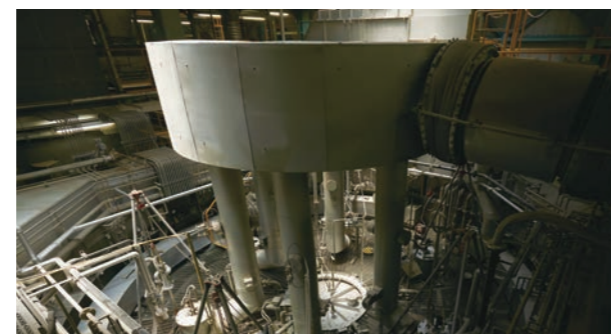
##### WATARAS

Our farm water management system (WATARAS) helps toward the effective use of water and to reduce the workload involved in water management, but it is also expected to assist with the prevention of flooding, due to the way it effectively turns paddies into dams.

#### Resource recycling

##### Technologies that recover resources from waste (melting furnaces)

Melting furnaces can be used with waste plastic as a fuel, and the molten slag they produce can be used in place of stones or sand. By providing equipment and technologies, we will contribute to the recycling of resources.



Melting furnace

##### Remanufacturing business—recycling membrane cartridges

In addition to offering submerged membrane units, which are used to purify domestic and factory wastewater, we are assisting with the reduction of waste by recycling returned membrane cartridges.

#### Conserving Biodiversity

Through its business activities, the Kubota Group endeavors to ensure that care is taken to conserve biodiversity and protect the natural environment.

For business activities in the fields of agriculture as well as water and the environment, in which the importance of relationships with biodiversity is understood, we carry out evaluations using the LEAP approach suggested by the Taskforce on Nature-related Financial Disclosures (TNFD).

For more details on the evaluation results, please follow the link below.  
[www.kubota.com/sustainability/environment/bio/](http://www.kubota.com/sustainability/environment/bio/)

##### Evaluation of the impact on biodiversity in agriculture (excerpts)

Locate	<ul style="list-style-type: none"> <li>Since rice farming is prevalent in Japan and other locations in Asia, agricultural machinery, its related products and services are widely used</li> </ul>				
Evaluate	<ul style="list-style-type: none"> <li>Pesticides/fertilizers: the overuse of pesticides and chemical fertilizers leads to soil pollution and worse water quality</li> <li>Land: land may be reclaimed or cleared through deforestation to expand the area of farmable land</li> </ul>				
Assess	<table border="1"> <tr> <td>Risk</td> <td> <ul style="list-style-type: none"> <li>Unsustainable agriculture would lead to farmers quitting the industry</li> <li>Selling products with poor environmental performance could lead to customer attrition</li> </ul> </td> </tr> <tr> <td>Opportunity</td> <td> <ul style="list-style-type: none"> <li>By providing products and services that both raise agricultural productivity and achieve sustainability, we can expect to increase revenue</li> </ul> </td> </tr> </table>	Risk	<ul style="list-style-type: none"> <li>Unsustainable agriculture would lead to farmers quitting the industry</li> <li>Selling products with poor environmental performance could lead to customer attrition</li> </ul>	Opportunity	<ul style="list-style-type: none"> <li>By providing products and services that both raise agricultural productivity and achieve sustainability, we can expect to increase revenue</li> </ul>
Risk	<ul style="list-style-type: none"> <li>Unsustainable agriculture would lead to farmers quitting the industry</li> <li>Selling products with poor environmental performance could lead to customer attrition</li> </ul>				
Opportunity	<ul style="list-style-type: none"> <li>By providing products and services that both raise agricultural productivity and achieve sustainability, we can expect to increase revenue</li> </ul>				
Prepare	<ul style="list-style-type: none"> <li>Through the provision of products—such as KSAS and smart agricultural machinery—that increase yields and optimize fertilizer volume, minimize negative effects on ecosystems and habitats</li> </ul>				

For more details on our Medium- and Long-Term Environmental Conservation Targets, please follow the link below.  
[www.kubota.com/sustainability/environment/active/](http://www.kubota.com/sustainability/environment/active/)

### The Kubota Group's Environmental Conservation Efforts

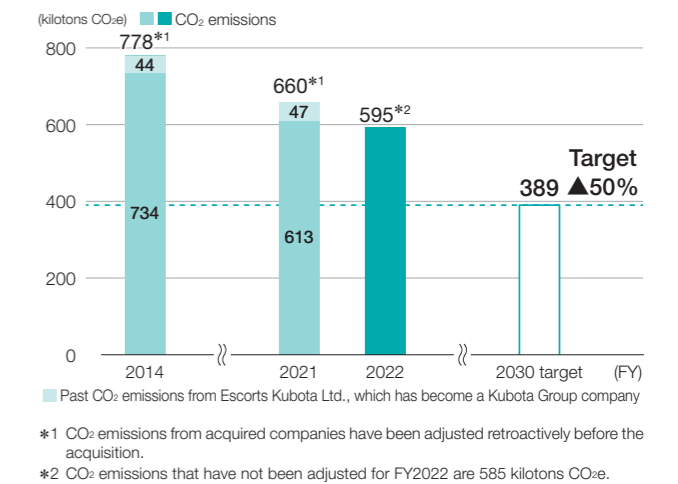
In order to promote environmental management as a sustainable company in light of various recent social developments, such as SDGs and the Paris Agreement, the Kubota Group has challenged itself to achieve zero environmental impact in its Environmental Vision for 2050.

#### Scope 1 and 2 CO<sub>2</sub> emissions reduction targets and results

Worldwide, we are systematically advancing a range of initiatives, including energy-efficiency efforts, switching to electric melting furnaces, and making greater use of renewable energy.

##### Long-Term Environmental Conservation Targets 2030 (excerpts)

Target	Reduce CO <sub>2</sub> emissions from the Kubota Group by 50% by 2030 compared to the base year FY2014.
Boundary	Scope 1 and 2 CO <sub>2</sub> emissions for global sites



#### Medium- and Long-Term Environmental Conservation Targets and Results

To promote systematic reduction of environmental impacts, we have been promoting initiatives by formulating our medium- and long-term targets for environmental conservation. We have revised target values for those indicators that we exceeded our 2025 targets in FY2022. To implement continuous improvement activities, we have also newly set targets for 2030.

Reporting boundary	Issue	Action item	Management indicator*1	Base FY	Target for FY2025*4		Target for FY2030*5	Results for FY2022
					Before revision	After revision		
Global production sites	Mitigating and adapting to climate change	Reduce CO <sub>2</sub> (Scopes 1, 2)	CO <sub>2</sub> emissions*2,3	2014	-	-	▲50%	▲23.6%
			CO <sub>2</sub> emissions per unit of production*1	2014	▲25%	▲45%	▲60%*6	▲38.9%
		Ratio of renewable energy usage*3	-	1% or more	20% or more	60% or more*6	8.3%	
	Working towards a recycling-based society	Reduce waste	Energy consumption per unit of production	2014	▲18%	▲35%	▲40%*6	▲32.5%
			Waste discharge per unit of production	2014	▲33%	▲45%	▲50%*6	▲39.7%
		Hazardous waste discharge per unit of production	2019	▲3%	▲17%	-	▲15.5%	
		Recycling ratio (Japan)	-	Maintain 99.5% or more	-	99.2%		
	Recycling ratio (Overseas)	-	Maintain 90.0% or more	-	94.6%			
Conserving water resources	Conserve water resources	Water withdrawal per unit of production	2014	▲23%	▲35%	▲40%*6	▲31.6%	
Controlling chemical substances	Reduce VOCs	VOC emissions per unit of production	2014	▲42%		-	▲37.6%	
Products	Improving products' environmental performance	Expand Eco-Products	Sales ratio of Eco-Products	-	70% or more		80% or more	65.6%
		Promote recycling	Usage ratio of recycled materials*4	-	Maintain 70% or more		-	70.4%

\*1 The figures per unit of production represent the intensity of the environmental load per unit of money amount of production. The exchange rate of the year 2014 is used when translating the money amount of production of overseas sites into Japanese yen.  
 \*2 We use the emissions coefficient for electric power of the base year in our calculation of CO<sub>2</sub> emissions from energy sources.  
 \*3 We use the emissions coefficient for electric power for each fiscal year in our calculation of CO<sub>2</sub> emissions from energy sources. \*3 The applicable boundary is global sites.  
 \*4 Usage ratio of recycled materials (%) in the cast metal products and parts manufactured by the Kubota Group (ductile iron pipes, fittings, machine cast products (engine crankcase, etc.))  
 \*5 ▲ indicates a negative figure. \*6 Newly set 2030 targets

#### CO<sub>2</sub> emissions throughout the value chain

In addition to calculating the Scope 1 and 2 CO<sub>2</sub> emissions from its business sites, the Kubota Group works out the Scope 3 CO<sub>2</sub> emissions generated throughout the value chain.

For more details on our CO<sub>2</sub> emissions data for each scope, please follow the link below.  
[www.kubota.com/sustainability/environment/ghg/](http://www.kubota.com/sustainability/environment/ghg/)

# Social Initiatives

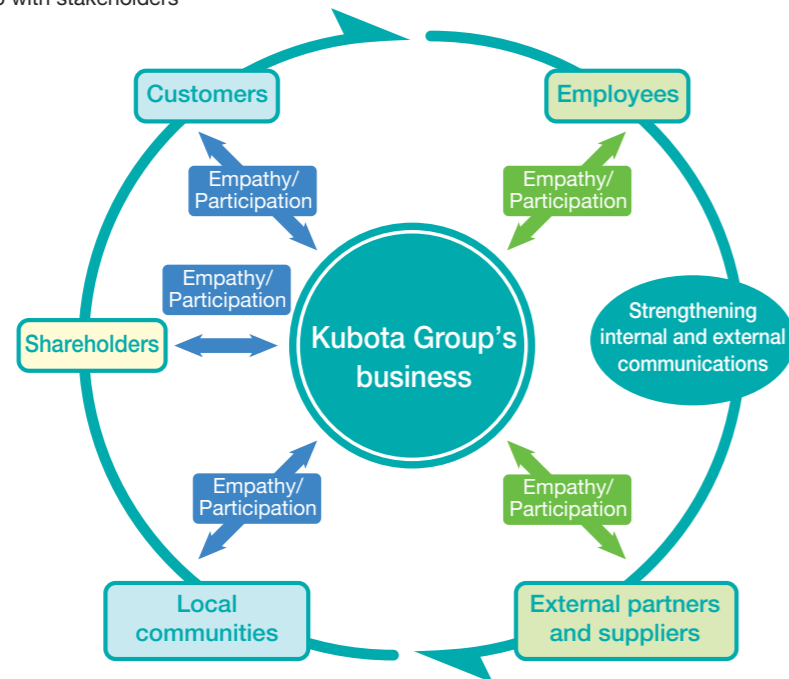
## Initiatives for Society and Stakeholders

**Fundamental policy**

The approach that Kubota takes toward society is best expressed in two sentiments left by the company's founder, Gonshiro Kubota: "Our products should not only be technically excellent, but also useful for the good of society." and "For the prosperity of society, we need to put all of our efforts into creation."

In the ESG management that we reference in our Long-Term Vision "GMB2030" and Mid-Term Business Plan 2025, the "S" that normally stands for "society" can also be taken to mean "stakeholders." By fostering reciprocal empathy and participation with our many stakeholders—customers, business partners, shareholders, investors, local communities, employees, and others—we will successfully make more and better contributions to society.

Relationship with stakeholders



### Relationships with Our Customers

We always ask ourselves how we can bring our customers the maximum amount of satisfaction, and for that reason we stick close to our customers around the world, visit the places they work, and listen to real feedback as part of a thorough policy that puts on-site needs first. We wish to deliver products, technologies, and services that exceed customer expectations speedily, and aim to earn the trust of the greatest number of customers as a company that makes the greatest contribution to society.

### Customer Satisfaction Survey

Kubota conducts a survey to obtain feedback for monitoring customer satisfaction with customer support by dealers of domestic farm machinery and also with its products. We share the feedback and survey scores received from the respondents with the dealers and related departments, and utilize the information to improve our sales and service activities, as well as our products.

"Overall customer satisfaction with store where purchased" for July 2021 to June 2022 stood at 65.7 points, almost unchanged

from the 66.0 points of the previous year (surveyed from July 2020 to June 2021).

Kubota will continue to make efforts to improve customer satisfaction.

## Employee Engagement

### Fundamental policy

Under the K-ESG management that we aspire to, employees should put the corporate principles in practice, and we should gain the empathy and participation of stakeholders inside and outside Kubota. Our employees are the main driving force in the K-ESG management, and as such are an important stakeholder. Furthermore, customer satisfaction cannot be accomplished without employee satisfaction. We promote the creation of comfortable and motivated workplaces where our employees can not only work safely and securely but also feel pride and joy in their work.

### Engagement survey findings

One of the areas of materiality set for our K-ESG management is the "improvement of employee growth and job satisfaction." To that end, we have been carrying out engagement surveys since 2021 in order to assess employee engagement. We believe that having positive, motivated employees will generate empathy from other stakeholders. By having each organization face and work on issues we have identified, our aim is to become a company where every employee feels motivated. For the FY2022 onward, we have expanded the survey to improve overall engagement. As such, the score for this fiscal year has gone down due to the expansion, but when comparing with like-for-like answers from the respondents surveyed in the previous year (non-consolidated employees for general positions), the score is trending upward. We also maintained a high proportion of positive responses to questions on empathy for social contributions and trust in superiors (psychological safety). This fiscal year, we will continue to focus on providing chances for growth and invigorating internal communication, with the aim of achieving an engagement score of 60% by 2025. Examples of our initiatives to offer growth opportunities so far include an internal second-job system, internal recruiting, and career development training. We have also helped to create a more open working environment by doing away with hierarchical patterns of address in Japanese, and the dialogue that we achieve through this and further promoting efforts such as 1-on-1 meetings and town hall meetings, is creating opportunities to understand each other.

	FY	2021	2022				
Entire Kubota Group		—	45%				
Non-consolidated (employees for general positions)		50%	51%				
Topic	FY22 distribution			FY21 distribution			Comparison
Engagement	51%	33%	16%	50%	34%	16%	Total +1 (percentage point)
This company motivates me to contribute more than is normally required to complete my work	42%	38%	20%	40%	38%	21%	+2
I would recommend this company to people I know as a great place to work	54%	33%	13%	52%	34%	14%	+2
My work gives me a feeling of personal accomplishment	56%	29%	15%	56%	30%	14%	±0
Empathy for social contributions	82%			15%			3%
Implementation of the corporate principles	74%			22%			4%
Trust in superiors	71%			20%			9%

Legend: Positive response (teal), Neutral response (light blue), Negative response (orange)

### Dropping hierarchical patterns of address

We are diligently working to create open working environments, and as part of this effort, we are recommending that all employees forgo the traditional Japanese hierarchical patterns when addressing one another, including toward executives. If we can develop relationships where opinions can be expressed freely—regardless of such considerations as who is more or less senior—employees will feel a greater degree of psychological safety, and this will encourage them to take leaps into the unknown. It will also make it easier to share necessary information. These and other consequences will raise the organization's performance, and help to create positive, motivating workplaces.

### Smartphones for every employee, including technical staff

Our distribution of smartphones to all employees has been effective in encouraging speedy, two-way communication with relevant others. By giving smartphones to technical staff at manufacturing sites, in addition to those we have provided to office staff and engineers, several efficiency savings (including less use of paper) have been achieved, and we believe that it has contributed to increased productivity and more motivated employees. Next, we will work on DX promotion measures that make effective use of those smartphones.

### Employee Engagement: Major Initiatives

- Town hall meetings attended by executives
- 1-on-1 seminars (periodic interviews between bosses and their subordinates on a one-to-one basis)
- Start of age-specific career development training
- Introduction of a flextime system (with no required "core" hours) to promote workstyle reform
- Ongoing engagement survey
- Ongoing K-ESG Awareness Survey (previously CSR Awareness Survey)

### Employee Engagement: Understanding and Departmental Support

- Video message from the president
- Special engagement website
- Study seminars with outside instructors (for executives and heads of departments)
- Voluntary dialogue workshops (for heads of departments)

## Social Initiatives

### Relationships with the Supply Chain

Customers are becoming increasingly aware of what goes on in the entire supply chain that creates products and services.

For this reason, Kubota has established the Kubota Group CSR Procurement Guidelines, based on the belief that it is necessary to have a common understanding of CSR with its major business partners in order to engage in collaborated efforts. By requesting business partners to submit a consent form indicating their intention to observe the terms of these guidelines, Kubota is encouraging its business partners' initiatives that target safe work practices, respect for human rights, and other important factors.

#### The Kubota Group CSR Procurement Guidelines

1. Winning Customer Satisfaction
2. Conducting Corporate Activities Based on Compliance with Legal Regulations and Ethical Principles
3. Respecting Human Rights
4. Building up a Safe and Vibrant Work Environment
5. Conserving the Global and Local Environment
6. Achieving Symbiosis with International and Local Societies
7. Fulfilling Responsibilities for Improving Management Transparency and Accountability

### Relationships with Shareholders and Investors

With the aim of sustainable growth and improving our medium- to long-term corporate value, we encourage constructive dialogue with shareholders and investors.

We also have results briefings for domestic and foreign institutional investors, company information sessions for individual investors and factory tours. Going forward, we will engage in dialogue with all stakeholders.

More recently, we held 340 interviews with institutional investors and analysts over the course of the year, and for individual shareholders we invited them to watch Kubota Spears Funabashi TOKYO-BAY matches, experience first-hand agricultural harvests in Hanamaki in Iwate Prefecture, and attend winery tours.



Business briefing at the Art Paysan Winery

### Relationships with Local Communities

#### Fundamental policy

Through dialogue with the local communities involved with our businesses, as well as the young people responsible for society's future, and the non-political and non-governmental organizations that are on the frontlines of society's fight with issues, we are working to resolve environmental and social problems, including through non-business-related activities. We also hope to tie our social contribution activities into the growth and happiness of all those involved, and we aim to both foster a culture of tackling issues and create the relationships that will deliver the future together.

#### Activities

We work on activities that contribute to society by helping to solve non-business-related issues in the fields of food, water, and the environment (including urgent humanitarian aid); training the next generation; and through sports. In 2022, we carried out activities in 16 countries around the world, tailored to each region's issues and wishes.



Donation of Kubota products to tornado victims to assist recovery work (US)



Donation of medical support goods to hospitals (India)



Tree planting and cleanup activities in areas around river sources (Japan)



Market selling local produce for local consumption at our plant (Japan)

### Relationship with Future Generations

To bring about a sustainable society, we must all learn from one another, across boundaries of generation or specialist field. Of our relationships with different parts of society, we believe our relationship with those who represent the future is a particularly important one. Therefore, in collaboration with educational institutions and other bodies, we are creating forums for learning. We conducted visiting lectures at a total of six junior high schools and ten high schools in 2022, which were attended by a total of 970 students.\*

\*Figures for activities conducted by Kubota Corporation (Unconsolidated)



Agriculture experience workshops (Japan)



Technical work experience (Germany)



Plant tours for local elementary school children (France)



Visiting lectures for high school students (Japan)

### Social Contribution Activities through Sporting Events

#### Kubota Spears Funabashi TOKYO-BAY rugby union team

Based on the team's vision of being a "Proud Billboard," the Spears are striving to be a winning team beloved by fans, to spread rugby as a billboard of which stakeholders can be proud, and to use the sport to promote SDGs efforts.

#### SDGs Days

All of Kubota Spears Funabashi TOKYO-BAY's home games were run as SDGs Days. With the help of the Edogawa ward authorities and partner companies, the club ran 3Rs (Reduce, Reuse, & Recycle) activities (including separating waste, accepting clothing and toy donations, and running a food drive) and also spent time prior to the match picking up refuse from the area around the stadium. At the special SDGs matches, with the desire to deepen understanding through SDGs activities and to get people active in trying to achieve the SDGs, the players wore special SDGs shirts.



Players wearing special SDGs shirts

#### Kubota Spears volleyball team

The Kubota Spears volleyball team, which competes in the V.League, actively works on community contribution activities such as volleyball workshops, particularly in its hometown of Osaka. As a team that is well-loved, it strives to play a role in the local communities that live alongside it.

#### Osaka Sports Groove Support Day

With the aim of enlivening the city of Osaka through sports, we have worked with the city authorities, we have invited spectators to come and watch home games for free, become escort kids, take photos with players, and receive original merchandise.



Spectators on a support day



## Social Initiatives

### Human Rights Initiatives

We support the Universal Declaration of Human Rights and respect the human rights of all people, and we do not discriminate or violate human rights on the basis of nationality, race, age, gender, or disability, or for any other reason. We also request that business partners likewise refuse to permit forced labor or child labor. These policies are declared in the Kubota Group Charter for Action & Code of Conduct and are being put into practice. We are also making plans, and implementing them, to allow all employees to undergo human rights training each year, based on our human rights advancement activity policies.

### Basic policies regarding human rights

The Kubota Group supports the Universal Declaration of Human Rights, respects the human rights of all people, and does not discriminate or violate human rights on the basis of nationality, race, age, gender, sexual orientation, gender identity or disability, or for any other reason.

The Kubota Group does not permit forced labor or child labor, and also requests that its business partners comply in this regard. These policies are declared in the Kubota Group Charter for Action & Code of Conduct and put into practice.

#### Kubota Group Code of Conduct (excerpts)

We support the Universal Declaration of Human Rights, and respect the human rights of all people.

We do not discriminate or violate human rights on the basis of nationality, race, age, gender, sexual orientation or gender identity\*, disability, or for any other reason.

\*The concept of how one perceives one's own gender.

We do not permit forced labor or child labor, and also request our business partners to comply in this regard.

### Human Rights Advancement System

In Japan, Kubota has a Human Rights Advancement Planning & Coordination Committee headed by the General Manager of Human Resources and General Affairs Headquarters. Its members at each Kubota site are promoting activities based on the human rights advancement activity policies. At the beginning of each fiscal year, a meeting is held gathering the committee members of all sites.

Besides the committee members, a human rights advancement leader is appointed at each site, who leads the human rights advancement activities of the site.



### Consultation Office System

As remedial action for victims of human rights violation, Kubota established the Kubota Hotline—a whistleblowing system that includes the use of outside lawyers—and consultation office systems at each of its bases, including those overseas, thereby enabling it to respond swiftly to any issues that may arise.

Number of cases reported on human rights issues (including harassment) in 2022: 63 (of which three were confirmed)

For more details on the Kubota Hotline whistleblowing system, please follow the link below.  
[www.kubota.com/sustainability/governance/system/index.html#hotline](http://www.kubota.com/sustainability/governance/system/index.html#hotline)

### Human rights education

Aiming to create a harassment-free, conducive workplace environment, Kubota plans and provides human rights education programs for all employees, including President and Directors, every year, based on the human rights advancement activity policies.

The human rights education programs include rank-based training for new employees and at each site. In addition, to ensure ease of access for participants, we continued to offer training via e-learning in 2022. All Kubota employees (in terms of the total number of participants) in Japan received human rights education through internal training or training offered by external organizations.

#### [Results of Internal Training in 2022]

	Internal training	External training	Total
Kubota	17,405 people	272 people	17,677 people
Group companies in Japan	10,880 people	86 people	10,966 people

#### Major Education Themes

- Prevention of harassment  
 [Includes prevention of sexual harassment, abuse of authority (power harassment), mistreatment of employees with child-rearing or long-term family care responsibilities (maternity harassment, care harassment) and bullying or indirect disadvantaging of sexual minorities (LGBTQ\*<sup>1</sup>, SOGI\*<sup>2</sup>, etc.)]
- Training for superiors in responding to reports of harassment and promoting two-way communication
- Social discrimination (Dowa) (such as online discrimination toward minority groups (e.g., Buraku), etc.)
- Issues facing the disabled (Act to Advance the Elimination of Discrimination against the Disabled, the disabled employment ratio, etc.)
- Issues facing foreign residents in Japan (racial harassment, etc.)
- UK Modern Slavery Act
- The supply chain and human rights (SDGs)
- Results of surveys on KESG awareness
- Revision of the employment regulations, etc. associated with the revision of the Equal Employment Opportunities Act and the Child Care and Family Care Leave Act



Human Rights Training for Management Executives (Dec. 27, 2022)  
 (Theme: My Response to the Reality of Discrimination—Marking the Centenary of the Foundation of the National Levelers Association with Some Thoughts on Its Spirit and Associated Corporate Initiatives)  
 (Lecturer: Norio Takahashi, Secretary, Nagano Human Rights Center)

\*1 Acronym of lesbian, gay, bisexual, transgender, queer/questioning  
 \*2 SO (sexual orientation), GI (gender identity)

### Respecting human rights throughout the supply chain

Kubota declares in the Kubota Group Charter for Action, “we do not permit forced labor or child labor, and also request our business partners to comply in this regard.”

Also, in its CSR Procurement Guidelines, Kubota declares that it does not permit forced labor or child labor, and also requests that its suppliers comply in this regard. The Guidelines also clearly prohibit the use of conflict minerals\*, which are a source of funds for armed insurgents.

In May 2017, the Kubota Group released its Group statement with regard to the UK Modern Slavery Act, and has updated its statement each year, which can be seen on our website.

For employees in Japan, explanation is provided during their human rights education programs. At overseas Group companies, the business site heads of each company provide explanation to the employees.

Click here for details.  
[www.kubota.co.jp/sustainability/society/procure/data/csrprocure.pdf](http://www.kubota.co.jp/sustainability/society/procure/data/csrprocure.pdf)

\*Tantalum, tin, tungsten and gold and their derivatives, produced in the Democratic Republic of the Congo and its neighboring countries, which constitute a source of funds for armed insurgents, who have repeatedly committed inhumane acts in these countries.

### Response to Asbestos Issues

Kubota takes very seriously the fact that some residents living in proximity of the former Kanzaki Plant and employees working at the plant have developed asbestos-related diseases. From the perspective of fulfilling our social responsibility as a company that previously handled asbestos, we will continue to address this issue with the utmost sincerity.

Click here for details.  
[www.kubota.co.jp/related/](http://www.kubota.co.jp/related/)