



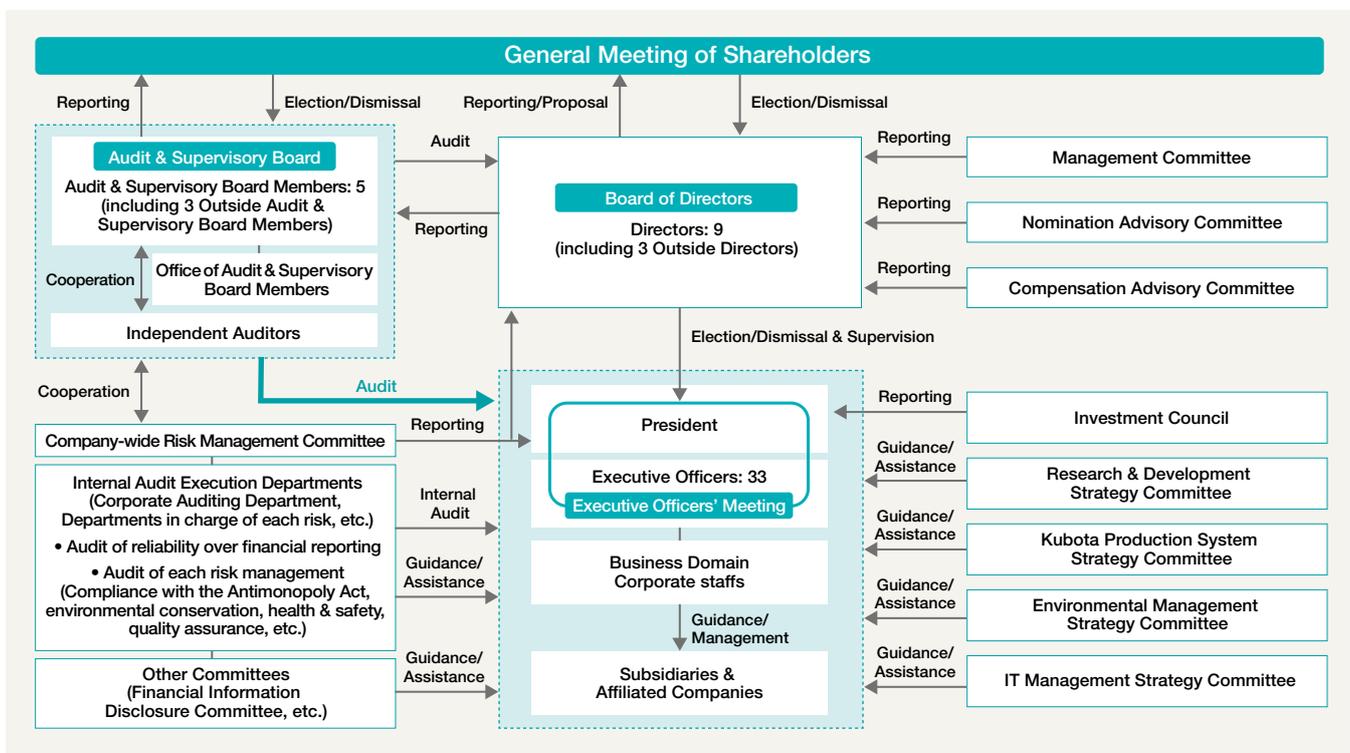
Corporate Governance

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

Corporate Governance Structure

Ensuring Quick Response to Management Conditions and Improving Management Transparency

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



Board of Directors

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

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

Audit & Supervisory Board

Kubota is a company with an Audit & Supervisory Board, which oversees and audits the execution of duties by the Directors. It consists of five Audit & Supervisory Board Members (three of whom are Outside Audit & Supervisory Board Members).

In addition to its regular monthly Audit & Supervisory Board Meetings, it is held as needed to discuss and determine auditing policy, audit reports, and other matters.

Executive Officers' Meeting

Kubota has adopted the Executive Officer System in order to strengthen business execution by each department and make prompt and appropriate business decisions. The Executive Officers' Meeting consists of the President and Representative Director (the "President") and 33 Executive Officers. In addition to its regular monthly meetings, it also meets as and when required. The President instructs the Executive Officers on policies and decisions made by the Board of Directors. The Executive Officers report to the President regarding the status of their execution of duties.

Management Committee and Investment Council

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

Nomination Advisory Committee and Compensation Advisory Committee

Kubota has a Nomination Advisory Committee and Compensation Advisory Committee in place, in which more than half of the members are Outside Directors, to give advice to the Board of Directors. The Nomination Advisory Committee and Compensation Advisory Committee meet to deliberate on nominations of candidates for Directors, and the compensation system and compensation level of the Directors with appropriate involvement and advice from the Outside Directors.

The Nomination Advisory Committee met once during the fiscal year for the purpose of discussing the nomination of new candidates for Directors, the reappointment of existing Directors, and the nomination of specially appointed advisers. Meanwhile, the Compensation Advisory Committee met twice during the fiscal year for the purpose of discussing both the consistency of levels of compensation paid to the Directors, Executive Officers, and specially appointed advisers, and the adequacy of the stock compensation plan. (Including one resolution in writing.)

Policy for Appointing Outside Directors and Outside Audit & Supervisory Board Members

In selecting candidates for the positions of the Outside Directors and the Outside Audit & Supervisory Board Members, Kubota considers experience outside Kubota, professional insight, and other qualifications, and makes recommendations on them to the General Meeting of Shareholders after approval by the Board of Directors.

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

Reasons for Appointing Outside Directors (Independent Executives)

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

Kubota elected Koichi Ina as an Outside Director since Kubota wishes to receive his advice about general management based on his adequate experience and considerable insight into management which he acquired through his duties as a president, chairman, and plant and manufacturing manager in the motor vehicle industry. Kubota has no business relationship with Toyota Motor Corporation, for which Mr. Ina used to serve as a director and adviser. Kubota has a business relationship with Daihatsu Motor Co., Ltd., for which Mr. Ina currently serves as adviser, but the amount arising from the above transactions for the year ended December 31, 2018 was less than 1% of total consolidated revenues of the Company. Kubota places him as an Independent Executive since there is no particular vested interest between Kubota and him, and there appears to be no conflict of interest with ordinary shareholders.

Kubota elected Yutaro Shintaku as an Outside Director since Kubota wishes to receive his advice about general management based on his accomplishments in actively promoting strategy and experience which he acquired through his duties as a member of top management of a medical device manufacturer. Kubota has no business relationship with Terumo Corporation, Santen Pharmaceutical Co., Ltd., J-Oil Mills, Inc., and Tonen International Scholarship Foundation, for which Mr. Shintaku currently serves as an advisor, director, and executive trustee. Kubota places him as an Independent Executive since there is no particular vested interest between Kubota and him, and there appears to be no conflict of interest with ordinary shareholders.

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

Kubota elected Masaki Fujiwara as an Outside Audit & Supervisory Board Member since Kubota expects him to further enhance its auditing procedures during this period of further global advancement of the Company. Having served in key administrative and executive roles at Panasonic Corporation and its subsidiaries and affiliated companies, he has both considerable knowledge relating to administration and corporate accounting, and a good feel for global business through his long-standing experience stationed overseas. Kubota has a business relationship with Panasonic Corporation, at which Mr. Fujiwara initially started his career, but the amount arising from the above transactions for the year ended December 31, 2018 was less than 1% of total consolidated revenues of the Company. Kubota has no business relationship with Sansha Electric Manufacturing Co., Ltd., for which Mr. Fujiwara currently serves as a director. Kubota places him as an Independent Executive since there is no particular vested interest between Kubota and him, and there seems to be no conflict of interest with ordinary shareholders.

Kubota elected Masato Hinenoya as an Outside Audit & Supervisory Board Member since Kubota expects him to further enhance its auditing procedures during this period of further global advancement of the Company. In addition to his considerable insight as a CPA in corporate accounting and finance, Mr. Hinenoya also possesses a global sensibility based on his long experience working abroad. Kubota has no business relationship with KPMG AZSA LLC, at which he initially started his career as a CPA, and Hinenoya CPA Office for which Mr. Hinenoya currently serves as a representative. Kubota places him as an Independent Executive since there is no particular vested interest between Kubota and him, and there seems to be no conflict of interest with ordinary shareholders.

Kubota elected Kumi Arakane as an Outside Audit & Supervisory Board member since Kubota wishes her to further enhance its auditing procedures based on her long career at KOSÉ Corporation serving as a Director and being in charge of various areas of business, including product development, research, quality control, and purchasing. Ms. Arakane currently serves as an Audit & Supervisory Board Member of KOSÉ Corporation; she is also well versed in those duties. Kubota has no business relationship with KOSÉ Corporation, at which Ms. Arakane started her career and currently serves. Kubota places her as an Independent Executive since there is no particular vested interest between Kubota and her, and there seems to be no conflict of interest with ordinary shareholders.

Attendance Rate of Outside Executives (Mar. 2018–Feb. 2019)

Attendance rate of Outside Directors at Board of Directors' meetings	Yuzuru Matsuda 100%	Koichi Ina 100%	Yutaro Shintaku 100%
Attendance rate of Outside Audit & Supervisory Board Members at Audit & Supervisory Board meetings	Akira Morita 100%	Teruo Suzuki 100%	Masaki Fujiwara 100%

System Supporting Audit & Supervisory Board Members

Kubota established the Office of Audit & Supervisory Board Members and has assigned five employees to exclusively support the Audit & Supervisory Board Members in performing their duties. Those employees' independence is ensured as the employees' appointment and evaluation require a discussion with and consent from the Audit & Supervisory Board Members.

As of March 22, 2019, Kubota places four members in the Office of Audit & Supervisory Board Members, to engage in audits exclusively for subsidiaries in order to provide support for Kubota's Audit & Supervisory Board Members and improve internal control over the Kubota Group. Also, Kubota maintains a system which facilitates disbursement of expenses incurred related to execution of duties by the Audit & Supervisory Board Members.

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

Compensation of Director and Audit & Supervisory Board Members

At the Meetings of the Board of Directors, the basic remuneration for the Directors is determined within the range of the maximum aggregate amount of remuneration approved at the General Meeting of Shareholders after it has been deliberated on in the Compensation Advisory Committee in consideration of the Company's operating results, compensation levels of other companies, and other factors.

In addition, the total amount of bonuses for the Directors is decided by the General Meeting of Shareholders. The amount of stock compensation is determined at the Meetings of the Board of Directors after being deliberated on in the Compensation Advisory Committee, within the limits established by the total amount of the monetary compensation claims and the total number of common shares to be issued or disposed of as approved at the General Meeting of Shareholders.

Furthermore, if the Director covered by the restricted compensation plan is a non-resident of Japan because of reasons such as playing the role of an overseas representative, the monetary compensation claims are temporarily suspended during the above period, in consideration of local laws and regulations. However once his/her role is over and he/she becomes a domestic resident, the suspended monetary compensation claims are granted to him/her.

Compensation for the Audit & Supervisory Board Members consists solely of basic remuneration in the light of their role and independency. Their compensation is determined upon consultation among the Audit & Supervisory Board Members within the range of the maximum aggregate amounts of compensation approved at the General Meeting of Shareholders in consideration of the roles of the respective Audit & Supervisory Board Members.

Director and Auditor Remuneration (Jan.–Dec. 2018)

Position	Number of persons	Total amount of compensation (millions of yen)	Total amount by type (millions of yen)		
			Remunerations	Bonuses	Restricted stock compensation
Directors (excluding Outside Directors)	8	676	350	260	66
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	3	72	72	—	—
Outside Directors and Outside Audit & Supervisory Board Members	6	74	74	—	—

Training for Executives

To provide opportunities to acquire and update knowledge necessary for supervising operations, Kubota holds annual executive forums led by visiting lecturers for all Directors, Audit & Supervisory Board Members and Executive Officers. (A total of three forums were held in FY2018 on themes of CSR, human rights, and safety/environment/quality.)

Kubota conducts training hosted by external organizations for all newly appointed Executive Officers, featuring content pertaining to laws and regulations, and corporate governance. For Outside Directors, Kubota conducts inspections and engages in discussions with on-site executives at its overseas affiliated companies and subsidiaries, and regional offices in Japan, so that those in attendance can gain a deeper understanding of the Group's business activities and make appropriate management decisions. (Inspections held in FY2018: North America Site, China Site, Thailand Site, Europe Site, agricultural machinery exhibition in Europe, Kubota exhibition in Japan, etc.)

For Audit & Supervisory Board Members, management issues are shared at periodic meetings with the President. Also, opinion exchange meetings are held periodically with Outside Directors to improve governance. (Meetings with the President were held a total of four times, and meetings with Outside Directors were held a total of four times in FY2018.)

Themes of the Forums for FY2018 and the Attendance of Executives

Date	Title of forum	Theme	No. of attending executives
May 22, 2018	CSR Forum	Water, Food and the Environment, and SDGs	32
August 21, 2018	Human Rights Training	Roles that each individual should play in fostering a safety-conscious corporate culture	32
November 20, 2018	Safety, Environment and Quality Forum	"Safety, the environment, and quality are the basis of corporate activity: that's what management is all about" — Practical activities to help strengthen corporate culture — Manufacturing is development of people	29

Policy for Constructive Dialogue with Shareholders

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

(1) Basic policy

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

(2) IR organizational structure

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

(3) Feedback to management

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

(4) Dialogue with institutional investors and analysts

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

(5) Dialogue with individual shareholders and investors

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

Also, in addition to holding company information sessions for individual investors to provide an opportunity for the President and individual investors to directly engage in dialogue, the Company also works on public relations to improve understanding of the Company's business activities through such activities as exhibiting in investor forums.

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

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

1. Financial Information Disclosure Committee

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

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

2. Company regulations for information disclosure

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



Information for investors
www.kubota.com/company/ir/

Directors, Audit & Supervisory Board Members and Executive Officers (as of March 22, 2019)

Directors

President and Representative Director

Masatoshi Kimata

Representative Director and Executive Vice President

Yuichi Kitao

Directors and Senior Managing Executive Officers

Masato Yoshikawa

Shinji Sasaki

Toshihiko Kurosawa

Dai Watanabe

Outside Directors

Yuzuru Matsuda

Koichi Ina

Yutaro Shintaku

Audit & Supervisory Board Members

Toshikazu Fukuyama

Yasuhiko Hiyama

Masaki Fujiwara

(Outside Audit & Supervisory Board Member)

Masato Hinenoya

(Outside Audit & Supervisory Board Member)

Kumi Arakane

(Outside Audit & Supervisory Board Member)

Executive Officers

Senior Managing Executive Officer

Haruyuki Yoshida

Managing Executive Officers

Kunio Suwa

Kaoru Hamada

Yasuo Nakata

Kazuhiro Kimura

Takao Shomura

Yuji Tomiyama

Kazunari Shimokawa

Mutsuo Uchida

Nobuyuki Ishii

Kazuhiro Shinabe

Ryuichi Minami

Yoshimitsu Ishibashi

Yasukazu Kamada

Katsuhiko Yukawa

Executive Officers

Ryoji Kuroda

Eiji Yoshioka

Muneji Okamoto

Hiroto Kimura

Koichiro Kan

Hirohiko Arai

Tomohiro Iitsuka

Kazushi Ito

Koichi Yamamoto

Mampe Yamamoto

Hitoshi Inada

Shingo Hanada

Nobushige Ichikawa

Directors



Yutaro Shintaku

Toshihiko Kurosawa

Masatoshi Kimata

Shinji Sasaki

Koichi Ina

Yuzuru Matsuda

Masato Yoshikawa

Yuichi Kitao

Dai Watanabe

Internal Control

Internal Control

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

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

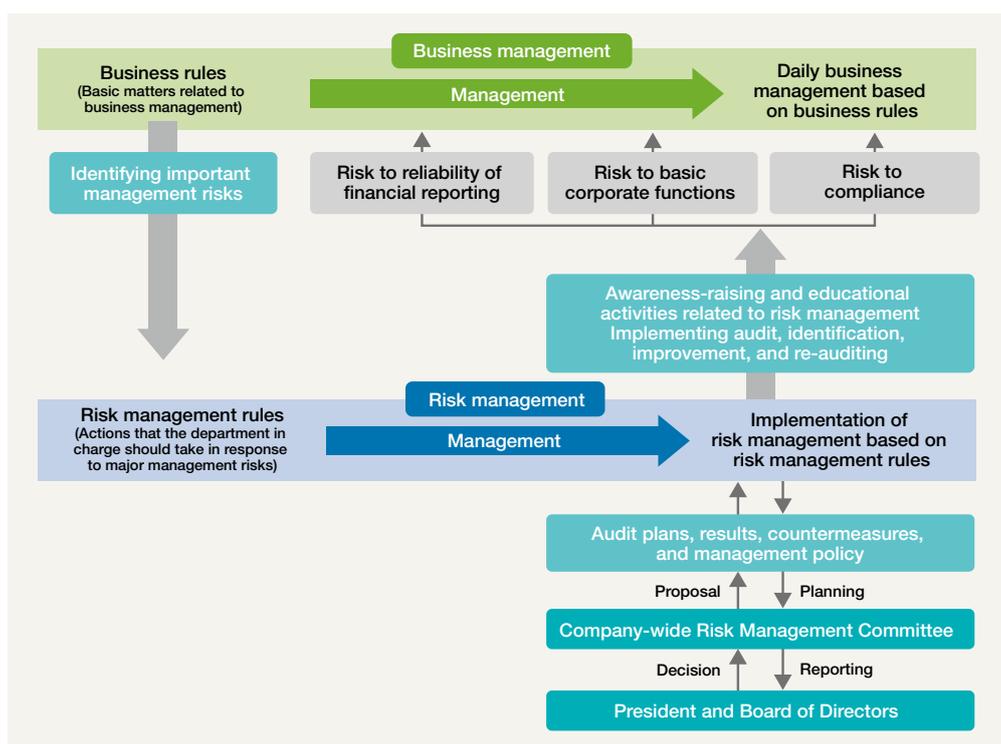
In risk management, operations that each department in charge of risk management should implement are determined in the risk management rules. Based on these rules, necessary actions to be promoted for risk management are identified and the departments are audited, thereby verifying the effectiveness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

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

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

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

Internal Control System Overview



Internal Control System Operation Activities (Risk Management Activities)

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

In FY2018, as part of Kubota's initiative continuing from FY2017 to enforce risk management, each business division determined the risks that seemed most critical under the current circumstances.

Number of Audits and Contents of Risk Management

Risk management items		Risk to be avoided	Number of audited items for FY2018*1
Internal control over reliability of financial reporting	Financial reporting	<ul style="list-style-type: none"> Risk to reliability of financial reporting 	5,627
Internal control over the basic functions of the Company	Fair trade	<ul style="list-style-type: none"> Bid-rigging and price cartels Unfair trading concerning trading with distributors, etc. Non-compliance with the Subcontract Act 	95
	Environmental conservation	<ul style="list-style-type: none"> Non-compliance with laws and regulations Environmental accidents Past environmental debt 	11,114
	Health and Safety	<ul style="list-style-type: none"> Occurrence of serious accidents Occupational illnesses Administrative disposition and litigations 	1,921
	Quality assurance	<ul style="list-style-type: none"> Occurrence of quality problems detrimental to the Kubota brand, etc. 	392
	Labor management	<ul style="list-style-type: none"> Breach of obligation on attention to safety of employees Improper management of working conditions Improper management of employees under irregular employment, and contract and temporary workers Occurrence of overseas labor problems 	4,840
	Information security	<ul style="list-style-type: none"> Computer virus infection Information leakage Information system failure 	1,332
	Intellectual property	<ul style="list-style-type: none"> Infringement of other companies' intellectual property 	747
Internal control over compliance	Compliance with rules and regulations related to equipment	<ul style="list-style-type: none"> Non-compliance with laws and regulations of the Building Standards Act, the Fire Service Act, and the Industrial Safety and Health Act, etc. in connection with assets and facilities owned by Kubota 	560
	Earthquake and other disaster response management	<ul style="list-style-type: none"> Important managerial losses including danger to human lives due to earthquakes and other disasters, damage to equipment, and destruction of the information system 	133
	Compliance with the Construction Business Act	<ul style="list-style-type: none"> Non-compliance with the Construction Business Act 	734
	Human rights advancement*2	<ul style="list-style-type: none"> Occurrence of human rights violation issues 	—
	Safe driving management	<ul style="list-style-type: none"> Accidents arising from non-compliance with traffic laws and regulations and violating acts 	170
	Prevention of illegal payments	<ul style="list-style-type: none"> Trading with antisocial forces Non-compliance with the Political Funds Control Act Making inappropriate payments to overseas public servants 	102
	Classified information management	<ul style="list-style-type: none"> The outflow of classified information including plans for development and sale of new products 	1,146
	Protection of personal information	<ul style="list-style-type: none"> Leakage and loss of personal information related to customers, employees, etc. Improper use of personal information 	189
	Import and export control	<ul style="list-style-type: none"> Non-compliance with laws and regulations related to importing and exporting, including the Customs Act, the Foreign Exchange and Foreign Trade Control Law, the Basel Convention, and laws related to chemical substances 	92
	Compliance with laws and regulations related to logistics	<ul style="list-style-type: none"> Non-compliance with the three major road laws, including the Road Traffic Act; and with the laws and regulations related to distribution, including the Labor Standards Act, etc. 	696

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

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

Kubota Hotline (whistleblowing system)

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

[Types of contact points and matters handled]

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

* Human Rights Advancement Consultation Office has been established at each company and business site so that people can more easily seek consultation.

* Starting from 2017, consultation by e-mail, in addition to telephone, is acceptable for outside lawyers.

[Available to]

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

* Each overseas location handles reporting individually and notifies the Kubota head office of any significant issues.

* Starting from 2017, all whistleblowing cases in China are reported to the Kubota head office.

[Protection of informants]

The Whistleblowing System Operation Rules clearly state:

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

[Activities to raise awareness of the system]

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

The Company newsletter and website provide information on:

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

[Number of cases reported (in Japan)]

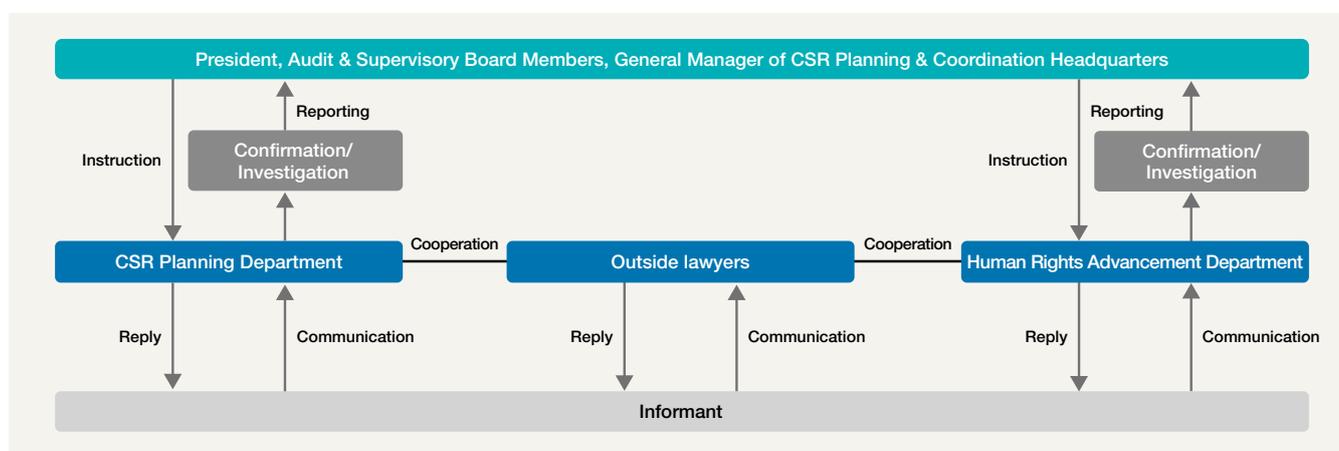
Period	Number of cases
Jan.–Dec., 2016	30
Jan.–Dec., 2017	52
Jan.–Dec., 2018	71

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

[Other]

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

Flowchart of Kubota Hotline



Securing Reliability of Financial Reporting

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

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

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

Compliance with the Anti-Monopoly Act/Competition Law

The President declared in the management policy, “No sales or profits achieved by undermining the corporate dignity exist in the Kubota Group,” and emphasized that ensuring compliance is a major prerequisite for the Kubota Group’s business activities.

Education and Enlightenment Activities

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

Auditing and Risk Management Surveys

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

Maintaining and Expanding the Consultation System

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

Compliance with the Act against Delay in Payment to Subcontractors

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

Information Management

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

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

As shown by the EU's General Data Protection Regulation (GDPR), there is a growing trend to further enhance protection of information assets. As such, in FY2018, Kubota reorganized its emergency contact list and response procedures across the entire Group, including overseas subsidiaries and affiliated companies in order to promptly respond to information security-related incidents/accidents.

With Kubota-CSIRT – an organization for managing information security-related incidents/accidents – at the helm, in FY2019 Kubota will further enhance its initiatives to prevent information security-related incidents/accidents, respond promptly if they occur, and minimize damage.

Information Management System



* Initiatives to ensure information security

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

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

Information Security Structure



Prevention of Illegal Payments

Among illegal payments, Kubota has placed particular focus on preventing bribery, and will work to achieve SDG 16.5: Substantially reduce corruption and bribery in all their forms.

The Kubota Group Anti-Bribery Policy delivers to all officers and employees a clear message from its top management that bribery will not be tolerated under any circumstances. In response to this message, Kubota has employed the risk-based approach, in which risk assessment is conducted in advance to determine the departments, markets, or business forms that are exposed to high risk, and prioritized risk management activities are conducted to tackle them. With this approach, Kubota aims to develop and operate effective programs. In FY2018, Kubota conducted written surveys at 87 departments/companies in Japan and 49 overseas bases as a part of its risk assessment.

Furthermore, Kubota has established the Prevention of Illegal Payments Committee to investigate whether preventive frameworks are in place and sufficiently functioning in accordance with the Rules for Preventing Illegal Payments, as well as whether or not there have been any illegal payments.

As an effort to educate directors and employees on prevention of bribery, the Company repeatedly and continuously holds training sessions using the Kubota Group Handbook for Anti-Bribery. At these training sessions, the latest information is provided on laws and regulations related to preventing bribery as well as appropriate responses to bribery risks.

The Kubota Group Handbook for Anti-Bribery contains the globally common contents, and has been prepared in Japanese, English, French, Chinese, Indonesian, Filipino, Korean, Vietnamese, and Thai.

In addition to these, Kubota is preparing a handbook for each country and region, which contains more detailed information on the points to be noted and actions to be taken in the respective country or region. At present, handbooks for China, South Korea, Indonesia, Myanmar, the Philippines, Thailand, and Vietnam have been formulated, and to date, training sessions by local lawyers have been provided at 19 Kubota Group companies in China, South Korea, Indonesia, the Philippines, India, Vietnam, and Thailand.

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



Anti-bribery training session in Thailand

The Kubota Group Anti-Bribery Policy (excerpt)

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

President, Kubota

Kubota Group Charter for Action & Code of Conduct

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

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

* As part of its efforts to prevent recurrence of inappropriate actions regarding inspection reports, in FY2018 all employees of Kubota read out the Kubota Group Charter for Action & Code of Conduct at their respective workplaces. Workers reaffirmed the importance of compliance and points that require particular care.

Period	No. of participants
Oct. 9–31, 2018	12,235

Absent employees did so at a later date

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

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



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

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

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

Tools for Awareness-raising

Code of Conduct Guidebook

A guidebook describing the Kubota Group Charter for Action and Code of Conduct in a straightforward way using illustrations and explanations. It is provided as a booklet to new employees and is also featured on the Company intranet.

Compliance Support Courier

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

Let's Keep Learning about CSR

A cartoon that introduces common compliance and CSR issues. Featured in the Company newsletter every other month.

Held on January 29, 2019

Dialogue with Outside Management and External Expert

— CSR Management at Kubota

As a CSR expert/facilitator, we invited Dr. Katsuhiko Kokubu, Professor in the Graduate School of Business Administration, Kobe University, and engaged in dialogue on CSR management at Kubota.



Attendees (in order, from the left):
 (CSR expert and facilitator) Professor Katsuhiko Kokubu, Graduate School of Business Administration, Kobe University
 (Kubota) Teruo Suzuki, Outside Audit & Supervisory Board Member (Main additional position: Certified public accountant)
 Koichi Ina, Outside Director (Main additional position: Former Chairman, Daihatsu Motor Co., Ltd.)
 Yuzuru Matsuda, Outside Director (Main additional positions: President, Kato Memorial Bioscience Foundation; Former President and Chief Executive Officer, Kyowa Hakko Kirin Co., Ltd.)
 Akira Morita, Outside Audit & Supervisory Board Member (Main additional position: Professor, Doshisha Law School)
 Masaki Fujiwara, Outside Audit & Supervisory Board Member (Main additional position: Director and Senior Managing Executive Officer, Sansha Electric Manufacturing Co., Ltd.)
 Kunio Suwa, Managing Executive Officer

* Official positions are as of the time of the dialogue.

1. Kubota's Corporate Principles The Relationship between Kubota Global Identity and Improving Corporate Value

Kokubu I think the corporate principles of all companies have basically the same content. The essence of CSR activities is how to actualize that content. My view is that the most important point for corporate principles is indicating how a company can contribute, in the context of its own business activities, to society and the happiness of humankind. What is Kubota's thinking regarding the role of corporate principles?



Dr. Katsuhiko Kokubu
 Professor, Graduate School of
 Business Administration, Kobe
 University

Suwa I believe principles are not something that come from the outside. It is the principles from a company's founding that serve as values the company aims for, and

when an important decision has to be made, I believe it is best if those principles serve as judgment criteria.

Suzuki I think the Kubota Global Identity is very well conceived. The Spirits and Mission sections touch on the core of manufacturing. It might be good to bring those aspects more to the fore.

Ina Occasionally one sees cases where the significance for a business—"why should we do this"—is not explained sufficiently, and people decide to do things on the spur of the moment. If the purpose of a project is clearly indicated, this may lead to increasing social value.

Kokubu There is also a connection with corporate culture, so it is important to indicate more explicitly that principles are used as a decision criterion by management. If that is done, the principles may take root more widely among employees.

Morita I feel that, as globalization progresses due to business expansion by the Kubota Group, there's a risk it will become more difficult for concerns about human rights and labor issues, and calls to abide by laws and regulations, to reach employees. I hope Kubota will work

to ensure there are no negative aspects. Realizing corporate principles may require actions where Kubota itself exhibits greater leadership.

Suzuki There's no doubt that Kubota is an extremely global company, with 70% of its sales overseas. It seems there is a tremendous opportunity here. I believe it is best to position the Kubota Global Loop as a basis, and expand business from there in line with the environment inside and outside Japan. By doing that, corporate principles may help to improve corporate value.

2. Simultaneously Achieving Contributions to SDGs and Improvement of Corporate Value

Suwa The difficulty for Japanese companies is that numerical targets always take precedence. The business areas of our company, "Food, Water and the Environment," as indicated in the Kubota Global Loop, themselves serve as a management strategy. I believe it's necessary to create a narrative where goals derived from corporate principles come first, and numerical values come next.

Suzuki I feel that CSV [creating shared value] involves selling a company's own products to improve society. On that point, the Kubota Global Loop is extremely good. It connects easily with SDGs. However, I think there's no need to address all 17 items. It's probably sufficient to cover only the main items. Perhaps it's also best to lead the way by focusing on the food part of "Food, Water and the Environment."

Matsuda According to Michael Porter's definition, CSV does not leave social problems up to the national government. Private companies realize both business and social contribution through their business activities. Kubota has been that way since its founding as a company. Based on a desire to supply safe water to prevent the spread of cholera, Kubota produced water pipes, and then expanded into engines and tractors. The company's history itself can be regarded as CSV. Kubota's businesses and portfolio tell that story well.

Ina At Kubota, CSR is presented as a result, but I wonder if CSR as a goal or strategy is being presented clearly enough.

Morita If there are CSR-style goals to start with, and movement in that direction, it will raise the awareness of employees. I would like to see a little more visualization of goals. I feel the focus is only on results.

Corporate Principles

Kubota Global Identity

Spirits

1. Work for the development of society by drawing on all of our capabilities and know-how to offer superior products and technologies.
2. Build today and open the way to tomorrow, with the aim of bringing prosperity to the company and happiness to employees.
3. Challenge the unknown with creativity and courage.

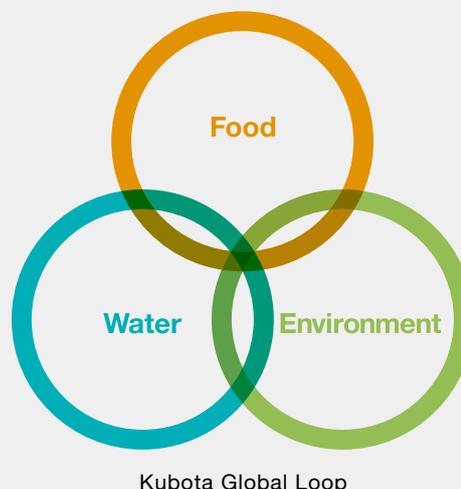
Brand Statement

For Earth, For Life


Mission

Food, water and the environment are indispensable for human beings.

The Kubota Group continues to support the future of the earth and humanity by contributing products that help the abundant and stable production of food, help supply and restore reliable water, and help create a comfortable living environment through its superior products, technologies and services.



Kubota Global Loop

Suwa As an example of promoting visualization of goals, there is the cultivator business in developing countries. A cultivator improves productivity tremendously when substituted for a manual tiller drawn by a water buffalo. Furthermore, its cost is low compared to a tractor. Therefore, from the standpoint of contributing to society, there is a much greater impact than switching from one machine to another, but within the company the impact as a business is small, so cultivators may draw less attention. Even if the person in charge works their hardest, it's quite hard to receive positive recognition. I believe there's a need to spread word of these efforts more broadly within the company. At present, our difficulty is how to position businesses with small impact.

Ina My definition of visualization, would be showing the sort of society you wish to create. So, what should be done with cultivator to achieve that? Kubota has a very good goal,



Koichi Ina
Outside Director, Kubota Corporation

and I think it would be good to bring that more to the forefront and state the purpose behind it. It would be good to show that having people use such equipment as widely as possible helps to invigorate agriculture in those countries.

Fujiwara Some other companies find it difficult to express how their business contributes to achieving the SDGs, but the business areas of Kubota are "Food, Water and the Environment," so the relevance is direct. The sustained growth of Kubota also helps contribute to the SDGs' achievement. Perhaps there's a need to think harder about how to express that to society, investors, employees, and other stakeholders.

Kokubu Among leading companies, some companies are doing this as a project, rather than as part of business activities in their main field. In that regard, there is also the option of making this into an SDGs Special Project.

Ina Using cultivator as an example, if one looks only at a specific region, profits are low, but from the perspective of the world as a whole, a complete picture is revealed of how

great the need is, how large of a business it will become in the future, and the contribution it can make to the world. If Kubota describes that, and shows the objectives it is aiming for, I believe it will be an extremely worthwhile project. It's management's role to tell employees to do it, even if it will not produce profits immediately, provided there is a good prospect of it becoming a business in the future. This sort of thing is, I believe, the meaning of incorporating SDGs into business operations.

Matsuda The case of cultivator should definitely be considered when thinking about strategies grounded in business. Management must clearly indicate that it will promote the project because it will come into its own as a business strategy in the future, even if it runs a deficit now.



Yuzuru Matsuda
Outside Director, Kubota Corporation

Ina Imagine there is demand for a certain product. If you don't pursue that business because you think the business potential is unclear, you'll lose that spirit of taking on challenges. If you think something is necessary, you should be looking to set defined goals of how to proceed and until when so as to give it a go. Building an environment where you can do this is also vital.

Suwa With that approach, the crucial point is how to set the evaluation period, isn't it? The answer differs depending on whether the period is one, five, or ten years. For special projects, I think the approach will change if the time period is set, for example, to between five and ten years.



Kunio Suwa
Managing Executive Officer, Kubota Corporation

Kokubu The time period is clearly the essence of commitment as a company, so it's probably best to indicate it. This means that it is tied into business strategy. I believe it's impossible for a company in business to ignore profit, but if there is even a little added value, business potential can

<Response to inappropriate actions>

Professor Kokubu also raised the issue of the Kubota Corporation's Statement on its Rolling Mill Roll Inspection Process, officially announced by Kubota on September 12, 2018, and the following proposals were made by outside management:

- Thoroughly analyze the cause, create a culture of "visualization," deploy this horizontally across the organization, and conduct auditing globally. Also, put the new arrangements into place quickly and firmly.

also be expected. Even if a business is significant in terms of SDG achievement, business judgment must play a major role in the end. When pressed about how long one should continue, I would definitely like Kubota to base its decisions on its corporate principles.

3. Further Steps to Contribute to SDGs and Improve Corporate Value

Kokubu As Mr. Matsuda pointed out earlier, the main premise is that Kubota will contribute to society through business, and this fits perfectly with the SDGs concept. However, like many other companies, I believe Kubota's efforts towards SDGs are at a stage where they have now been linked up with business activities. Going forward, what will be needed for Kubota as a whole to strive to achieve SDGs by 2030?

Suwa As part of the globalization process, Kubota recognizes that universal values are important for unifying the corporate group. While issues of capital are also important, we won't survive on those alone. If what we are doing isn't linked to those universal values, there won't be that unifying force. Isn't that what SDGs are truly about?

Morita When I went to the Kubota Machinery Group Dealer Meeting last year, the president spoke about the SDGs in front of an audience that included foreign employees from overseas group companies. I think his words won them over and



Akira Morita
Outside Audit & Supervisory Board
Member, Kubota Corporation

instilled a desire to do their best to achieve the SDGs. To encourage employees of group companies overseas as well as domestic employees to participate in collaborative management, I believe something must be done to boost their motivation. We're not in an era where just increasing profits is enough. Business should be of use to the world, and to all people, and SDGs are an effective tool for expressing that. Perhaps management should communicate that in an easy-to-understand way from time to time.

Kokubu There are companies which have boosted their name recognition by actually using SDGs strategically, and linking them with their business activities. They are also used to stimulate enthusiasm within the company, through techniques like having employees make proposals concerning the SDGs. I believe SDGs activities can be broadened to the company as a whole, not just end up as a single project.

Fujiwara The businesses of Kubota cover a diverse range, so I imagine there are various ideas for new approaches, but it is important that this does not become "one size fits all." It's essential to find areas where the company has specific strengths, and proceed steadily, not just as a one-off. First, how about developing a business plan for three to five years? Once that is in place, I think policies and approaches should be considered, such as having a plan b and plan c.



Masaki Fujiwara
Outside Audit & Supervisory Board
Member, Kubota Corporation

Suzuki I know I'm repeating myself, but Kubota has quite a good fit with SDGs and CSV due to its focus on "Food, Water and the Environment." Kubota's strengths are its capacity to create products that can solve global issues, and the ability to develop them. It's probably best to focus on the significance of Kubota's existence while highlighting connections with SDGs. I believe that will also help Kubota to achieve sustainable growth and improve its corporate value.



Teruo Suzuki
Outside Audit & Supervisory Board
Member, Kubota Corporation

Suwa Through that approach, I think Kubota will become "a brand that can make the greatest social contribution as a result of being trusted by the largest number of customers." In other words, it will advance towards the realization of "Global Major Brand Kubota." I would like to sincerely thank all of you for contributing your valuable perspectives today. We will keep the views you have shared in mind, and work hard in the future to further improve the level of our CSR management.

- Properly monitor departments and divisions which are hard to keep an eye on as a matter of importance. Observation reminds employees they are being properly evaluated and helps improve motivation.

Based on these suggestions, we will ensure quality-first manufacturing in order to recover the trust lost due to this inappropriate conduct.

For details on this incident and measures to prevent recurrence, please see: www.kubota.com/news/2018/pdf/20181129.pdf